

IMPACT OF WELFARE REFORM ON CHILDREN AND THEIR FAMILIES

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IMPACT OF WELFARE REFORM ON CHILDREN AND THEIR FAMILIES

TUESDAY, FEBRUARY 28, 1995

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 9:33 a.m., in room SD-430, Dirksen Senate Office Building, Senator Nancy Landon Kassebaum (chairman of the committee) presiding.

Present: Senators Kassebaum, Coats, Frist, Ashcroft, Abraham, Gorton, Pell, Dodd, Mikulski, and Wellstone.

OPENING STATEMENT OF SENATOR KASSEBAUM

The CHAIRMAN. The committee will come to order.

I would like to welcome everyone this morning the hearing on welfare reform and its effect on children and families.

Without question, the current welfare system has helped feed, clothe and house millions of children. It also is without question that we have done so at an enormous price. With the best of intentions, we have tried to protect children from material poverty. In the process, we have helped trap children in a different kind of poverty, where personal responsibility, individual initiative and a sense of belonging to a community have no real meaning.

After 60 years and hundreds of billions of dollars, Federal welfare efforts have never come close to winning the war on poverty. Today, one out of five children lives in poverty. The current Aid to Families with Dependent Children serves almost 15 million persons. One of seven children in the United States is enrolled in the AFDC program. Total program costs in fiscal year 1994 were about \$28.1 billion.

I am not going to go through a continuous list of statistics, because several of our witnesses today will provide those. I think we all recognize that these trends are disturbing. That is why I believe the stakes in welfare reform are so high. I also believe it is terribly important to understand welfare and its impact on our society before we can really understand how it should be fixed. I think it is sometimes easy for us to sit here and say we will do this, or we will do that, without truly understanding the full picture.

I think the real question is not only what we should do, but how should we do it and who should do it. There is a wide range of both specific legislation and broad proposals about how to reform the welfare system. I have put forward my own suggestion, and a number of people have various suggestions.

It is my hope that today's hearing will shed light on the complex issues that are involved in welfare reform. This hearing will outline the current welfare system, look at State innovations in welfare, and identify the interaction between State and Federal rules from the perspective of a welfare recipient. Members will have the opportunity to elicit the opinions of a wide variety of experts on how the current system works and does not work. I am very appreciative of those who have given of their time to testify today.

I cannot think of a subject that has greater consequences to us as a nation than trying to get the right answer to this problem. We have tried for a long time. I think it is particularly important to have the input of the first two panelists.

Senator Pell, do you have any opening comments?

Senator PELL. I have no opening statement except to thank you and congratulate you on having the hearing. We all talk about welfare; we do not know exactly what we mean by that, and I would hope that after these hearings have concluded, we will be more informed and do a better job as we go down the road.

The CHAIRMAN. Thank you, Senator Pell.

It is my pleasure to welcome the first panel. Kevin Phillips' role in politics and policies in the mid-1990's is that of an author, a publisher and a commentator. He is a contributing columnist at The Los Angeles Times, a member of the political strategists' panel of The Wall Street Journal, and a regular commentator on National Public Radio—you probably do not want me to list all the things you have done. But let me just say one thing, that it was the sixth book that you published, "The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath," that has caused a great deal of discussion and commentary. I think the observations you have made through the years about our society and its changes and challenges have been invaluable. It is a pleasure to welcome you.

Senator WELLSTONE. Madam Chairman, I am sorry to interrupt you, and I am going to come back, but it turns out the only time I can speak on the floor is right now, and I did not want to just be impolite and walk out. I am going to be back, but could I just explain to the panelists that it is not a walkout or a protest. I am going to be back, and I apologize. It is apparently my only time to speak, apparently; I just received word.

The CHAIRMAN. I understand.

Senator WELLSTONE. Thank you.

The CHAIRMAN. Thank you very much.

Before we begin I have statements from Senators Coats and Dodd.

[The prepared statements of Senators Coats and Dodd follow:]

PREPARED STATEMENT OF SENATOR COATS

Madame Chair: It is the dubious distinction of the Federal Government's welfare programs that they are constantly the focus of reform efforts. In my opinion, the need for reform has never been greater. Decades of incentives toward inappropriate behavior and lifestyle choices have undermined the strength of the family. And decades of disincentives toward State innovation and toward

church and community participation have led to a system that just does not work.

With the best intentions, the Government has attempted to end poverty by establishing an engorged bureaucracy and writing checks, all told pouring over \$5 trillion into the war on poverty. At the same time, individual dependence on the Government has increased, individual dignity has declined, and the family has been undermined as a consequence.

Today, there are more people living in poverty than ever before—and the only thing the Government welfare state has succeeded at doing is spawning generations of people who will be born, live, and die without ever having held a steady job, owned a home, or known the strength of a two-parent family.

Individual dependence on the State has increased with every Government intervention. Indeed, the population receiving welfare payments receives checks for extraordinarily long periods of time. Twenty-five percent of women can expect to receive those payments for more than 8 years. The typical recipient receives payments for almost 4 years. Forty percent of recipients return to the welfare rolls at least once.

None of us today will dispute that the Federal Government has some role to play in supporting our most helpless and desperate families with dependent children.

None of us today will dispute that the Federal Government has some role to play in supporting our most helpless and desperate families with dependent children.

At the same time, we should recognize that sound welfare policy should do nothing to harm the family being supported families are the seedbed of all our skills and attitudes. They teach us our view of work and the importance of moral truths. They are the wellspring of every individual's strength against alienation, failure, and despair. During countless eras when no other organized unit of society even functioned, the family was the institution that made survival of the cultural, political, economic, and social order possible.

A few of the proposals below might improve the outlook for the children and families that receive welfare.

We must move to eliminate the disincentives to work created by the current welfare system. That means eliminating the disincentive to exchange work for payments; and that means eliminating the disincentive to produce some benefit for society. In so doing, we reduce dependence and increase human dignity.

We should creatively look for ways to encourage private enterprises to invest in training and employing persons on welfare—perhaps through tax incentives like the currently phased out targeted jobs tax credit.

We should aggressively pursue the development of public-private partnerships that might utilize the best that microenterprises and other asset-building strategies may offer.

We should give State and local governments and private enterprise the resources and freedom to develop community-specific and innovative solutions to welfare reform. To assist private enterprise in this area, we should free individuals to contribute to private organizations, local communities, and religious institutions to once

again lead the way to true welfare reform. We might also consider vouchers that might be used with private service organizations.

To assist State and local governments, we should modify the waiver process to ensure all good ideas for reform are implemented expeditiously.

Whatever the proposed solution, we must gauge its effectiveness and desirability in terms of whether it fosters dependence on the Government or promotes independent action by the individual. Whether it promotes the dignity of the human person or undermines. And whether it undermines the family or builds it up?

Madame Chair, the focus of this hearing today could hardly be more appropriate: before reforming welfare, we must carefully examine its impact on children and families. I hope that the hearing does in fact lead us to a better understanding of how welfare and reform proposals impact on this precious resource.

PREPARED STATEMENT OF SENATOR DODD

Madame Chairwoman, I want to thank you for chairing this important hearing. By calling us here today, you have reminded us that children must be at the heart of our debate over welfare reform. We must evaluate every proposal using a simple standard: What will it mean for our children? Will the plan reward work, or will it punish kids for the sins or perceived sins of their parents?

Two-thirds of AFDC beneficiaries are children. More than 9 million children received cash assistance in 1993. I fear that some of the welfare "reform" proposals passing through the other body would single these kids out for extraordinarily harsh treatment.

House Republicans would eliminate the school lunch program, gut child care funding just when it will be more desperately needed than ever before, and tear apart our basic safety net for children. I believe they will find that any money saved from these measures will be lost many times over when ill-nourished, deprived children reach adulthood completely incapable of participating in our economy.

As my colleague, Senator Kennedy, has said, we don't want to adopt punitive policies that aim for the parent, but hit the child instead. We need a welfare system that rewards work, but also one that makes work possible. That means work requirements, but also education, job training and child care. That means helping people pull themselves out of poverty, not consigning them and their children to a lifetime of deprivation.

The States have been experimenting creatively with welfare, and we should encourage more such innovation. Democratic and Republican Governors alike are working toward a complete reorientation of State assistance programs to reward work and help those who help themselves.

We should encourage such state-level innovation, but as a Federal Government, we should also guarantee some minimum standards. Children should not be penalized because of the happenstance of which State they were born into. We make promises to the elderly and to veterans about a minimum level of support they are due. Why can't we do the same for kids?

We need a national commitment to see that children are not abused, that they do not go hungry and that their basic needs are

met. In retreating from their plan to scrap the food stamp program and turn it over to the States as a block grant, House Republicans acknowledged that we must preserve some modicum of a basic safety net.

In discussing the retreat from the food stamps provision in the Contract With America, Rep. Pat Roberts, chairman of the House Agriculture Committee, said food stamps should serve as "a Federal social safety net to backstop that process" of State experimentation. I hope House Republicans will apply that same logic to some of the other proposals out there.

I look forward to the opportunity this hearing will afford us to discuss how we can reform our welfare system in a way that will reward work, protect kids and make a brighter future possible for all Americans.

It is also a pleasure to welcome Dr. Sara McLanahan. Dr. McLanahan is professor of sociology and public affairs at Princeton University. She teaches courses on poverty and public policy and conducts research in areas of single parenthood, child support policy, and child well-being. She is the co-author of "Single Mothers and their Children: A New American Dilemma," "Child Support Assurance: Design Issues, Expected Impacts and Political Barriers as Seen from Wisconsin," and "Growing Up with a Single Parent: What Helps and What Hurts."

Welcome to both of you.

Mr. Phillips?

STATEMENTS OF KEVIN PHILLIPS, AUTHOR, COMMENTATOR, CONTRIBUTING COLUMNIST, THE LOS ANGELES TIMES; AND SARA McLANAHAN, PROFESSOR OF SOCIOLOGY AND PUBLIC AFFAIRS, PRINCETON UNIVERSITY, PRINCETON, NJ

Mr. PHILLIPS. Thank you, Madam Chairman, members of the committee. My name is Kevin Phillips. I am editor and publisher of "The American Political Report," and author from time to time of books on American politics and political economics.

I would not presume to come here today to speak as an expert on welfare policy per se—I am clearly not; it is not my field. What I will try to do, however, is venture an opinion on the current proposals for welfare reform in the abstract, namely, the approach that has already passed in the House of Representatives, and look at this in the context of its relationship to what I think is the present warp in the national debate over what is plausible and equitable in the larger American political economy.

This short analysis will have four points—first, that there is a warp in the present political/economic debate; second, that part of this flows from 1994's near collapse in the credibility of the current administration and the resultant overinterpretation of the mandate of the new Congress elected in the mid-term landslide; third, that there is a related overinterpretation of the public's desire to cut the current so-called safety net in public policy. In Canada and Britain, conservative parties have already been decimated after failing to appreciate some of the nuances involved. Finally, there is always good reason to be concerned when party agendas in this country change from ones of pragmatism to ones of think tanks, professors-turned-politician, and thinly-disguised panacea-mongering.

Thirty years ago, it was the liberal Great Society. Now, I am sorry to say, I think the caution may apply equally to the so-called "conservative opportunity society."

My first argument is that we currently have a major warp in the ongoing national debate over the political economy. The minimum wage has lost 20 or 25 percent of its purchasing power in the last several decades—but we are told poor people would be ruined by raising it. Then we have serious legislators in Congress talking about replacing the progressive income tax with a regressive national sales tax or a flat-rate income tax. The Republican Party seems close to committing itself in this direction.

Also, a year ago, a major U.S. corporation discharged 8,000 or so employees, not in order to survive, but to save money and raise its stock price. Few congressional liberals complained about the values involved; the CEO was a major Democratic contributor.

Even the budget crisis is being seized on, or so it appears, to reduce the safety net of ordinary Americans while not touching the safety net of the financial and investment sector, which was entirely willing to enlarge the deficit 5 years ago, when financial institutions were getting one of their periodic Federal bailouts.

Unfortunately, I think at least part of the spirit of welfare reform that is abroad in the United States in 1995 has to be seen in this light, as part of yet another attempt to establish a reduced-cost, survival of the fittest economy. Poor people have some reason to be angry.

Obviously, there are ways in which welfare needs to be reformed—by imposing work requirements and eliminating unnecessary layers of bureaucracy. This part is a legitimate goal.

I would also suggest that the last election has become a source for misreading politics and the political economy. The congressional elections of 1994 were not unique. They were in fact the fifth mid-term landslide since World War II. Four times before—in 1946, 1958, 1966 and 1974—we saw the party out of the White House make major gains in Governorships, Senators, and Congressmen. Each time, the gains in the House have been between 45 and 55 seats. And each time, as surveys have proven, the major dynamic involved was dislike for the President or the policies he and his party were pushing through Congress. You can see that each time.

What has been lacking is a clear mandate for the opposition party's own politics, which of course, most mid-term voters do not really pay much attention to. Mid-term elections are negative referenda. Often, as a result, the party that enjoys the mid-term landslide gets in trouble because its leaders do not want to admit that. They want to perceive a mandate. This was true of the Republicans, who did so well in 1946, and the Democrats who did so well in 1974, after Watergate. In that election, Democrats did not want to admit that the 1974 vote against Nixon and Watergate was that, and not a return to 1960's liberalism. They had to learn the hard way.

The Republicans may now be in a similar position. By September of last year, Bill Clinton was so unpopular; support for his health program dropped into the 30 percent range when poll respondents were told it was his program. But when it was described without mention of him, 60 or 65 percent of Americans favored its general

provisions. This is part of what I am talking about when I am talking about a warp in the debate.

Part of what underpins the appeal of shrinking Federal welfare spending by giving the money back to the States via block grants is the belief that middle-class Americans will not mind seeing the welfare class get squeezed. There is truly some truth to that, because the middle-class feels squeezed itself, and people who are squeezed even while being employed are always ready to get tough on those who are not working.

But there are two caveats that may not immediately come to mind. The first is that large parts of middle-class America were frightened in the early 1990's downturn, which was the first to hit white-collar workers harder than blue-collar workers. The newspaper clips of what struck middle-class America were frightening. One survey in DuPage County, IL, in the Chicago suburbs found over 300 homeless teenagers. Right near here, in suburban Fairfax County, VA, demand for free school lunch has mushroomed as unemployed middle-class parents want to be sure that their children get hot food. Middle-class optimism has not entirely recovered as yet.

The point is that a surprising number of voters understand that with bad luck, their own families could be just one or two paychecks or missed mortgage payments away from needing welfare.

The politics of this can get tricky. In Canada and Britain, conservative governments have already tried the sort of mix that some conservatives now see as a winner in the United States—a combination of consumption taxes, middle-class benefit-slashing, and a drumbeat against the welfare State. Canada's conservatives, of course, went from 155 seats in Parliament to just two seats in the last election in 1993. And in Britain, current surveys show the Conservative Government some 25 points behind labor. The Conservatives cannot even hold safe suburban seats in bi-elections.

I remember in 1980 and 1981, when my conservative friends were so anxious to point out the British example, when it was Margaret Thatcher cutting everything. Now that Act II of trying to cut everything under John Major has turned into a disaster, the British example is no longer cited.

The last caution I would offer about welfare reform is to beware of a politics that is too much a product of think tanks, pamphleteers and professors. You cannot pick up a paper without reading all about the conservative think tanks, institutes and foundations that are busy coming up with white papers and blueprints for the new Congress. And in the case of the new Republican Contract for America, you have all these, plus platoons of congressional staffers and pollsters. Three of the major Republican congressional leaders are former professors. From time to time, you can hear echoes of the classroom, as well as of the Heritage Foundation and the Cato Institute.

This kind of government by think tanks and task forces does not have a great track record in American politics. The Clinton health plan had a lot of the same weaknesses. Now, some people are talking about the first 50 days in the House being the most productive since the New Deal. I doubt it.

Parts of the Contract could turn out to be the most half-baked, least considered bunch of quickie solutions since Lyndon Johnson's Great Society.

Even if that criticism proves unfair, at this point, and with respect to both welfare reform and the larger reshaping of the political economy, the bottom line seems simple to me: Caution is very much in order.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Phillips.

Dr. McLanahan?

Ms. MCLANAHAN. Senator Kassebaum, committee members, I appreciate the opportunity to speak to you today.

It appears that the country is on the verge of making fundamental changes in our welfare system, and while I believe the system is badly in need of repair, I also think we could be doing worse, and we must be very careful not to throw out the baby with the bath.

America's children have become increasingly more economically insecure over the past two decades. Child poverty rates have increased by more than 40 percent, and the proportion of children living just above the poverty line has also grown. Some of the decline in living standards is due to increases in single motherhood, but most of it is due to high unemployment and declining real wages for the bottom half of the population.

Poverty rates among children living in households with a male present have also increased by over 30 percent in the last two decades. So even if there were no single-mother families, children would still be in serious economic trouble.

But alas, single-parent families have grown dramatically, and this has exacerbated the economic insecurity of children. By 1993, nearly 30 percent of all children were living with a single parent. And demographers estimate that over half of all children born today will spend some of their childhood in a single-parent household. About half of these children will be poor, and the rest will experience a substantial drop in income when their fathers leave home.

My research shows that compared with children who live with both parents, children living with only one parent are more likely to drop out of high school, to spend time in jail, to become teen mothers, and to have trouble finding and keeping a steady job.

About half of this disadvantage is due to the precarious economic situation of these children. The rest is due to lower parental involvement and higher residential mobility.

Children in step-families do just as poorly as children in single-mother families. Furthermore, while father absence is more common among minorities and other disadvantaged groups, the increase in risk associated with family disruption is just as great for children from advantaged families.

The evidence gleaned from my research is reinforced by my experience as a teacher at Princeton. I have had students burst into tears while I was lecturing on the subject of divorce, and I have had students tell me they feel responsible for making sure that their fathers pay child support on time. The pain and uncertainty

associated with father absence does not discriminate by race or social class.

I tell you this because I am concerned about recent attempts to make sharp distinctions between children of divorced and never-married parents and to demonize the latter. The empirical evidence does not support this distinction, and I worry that it will lead to harsh and costly policies. A marriage license is not a vaccination against father absence.

Turning directly to welfare, the first thing to say is that its contribution to the growth of single-parent families is relatively small. At most, welfare can account for about 15 percent of the growth over the past 3 decades. Single motherhood has increased among groups that would never qualify for welfare in the U.S., and it is lower in countries where welfare benefits are much more generous.

The key to understanding the shortcomings of the current system is to recall that welfare was created to solve a different problem in a very different social climate. In 1935 when AFDC was enacted, the vast majority of single mothers were widows, and most married mothers were homemakers. In such a world, we did not need to worry about child support or the fact that we were more generous with single mother families than with married couple families, or that income-tested welfare benefits discouraged work.

In today's world, divorce and out-of-wedlock childbearing are common, and the vast majority of married mothers are employed. Thus, we have to worry much more about the work and marriage disincentives in the system.

As I listen to the debate so far, I hear many different positions. At one extreme, I hear proposals to eliminate or restrict eligibility among some groups. I hear that mothers who cannot support their children should give them up for adoption. In my view, this is a very dangerous strategy.

The empirical research is quite clear on two things: Poverty is very bad for children, and children who grow up apart from both parents are much worse off than children raised by single mothers.

In contrast, there is very little evidence to support the claim that draconian cuts will benefit children in the long run by changing their parents' behavior.

I am also concerned about proposals to eliminate entitlements and return welfare to the States. While I agree that States may be able to administer some programs more efficiently without interference from the Federal Government, I worry that without Federal financing, States will bid down benefit levels and find it difficult to cover needy children during recessions.

I am more comfortable with proposals that place time limits on cash assistance but provide minimum wage jobs of last resort and build up more generally programs outside welfare that reward work and marriage.

The earned income tax credit is an excellent example of such a program that both rewards work and marriage. Child care and medical insurance also fit the bill.

Many other Western countries invest much more than we do in child care and health care, and I believe the American public would support such programs if they were available to all low-income families and not just single mothers.

I also favor a strong child support assurance system in which the Government both enforces private responsibility, which it is not doing now, and guarantees a minimum child support benefit.

Thank you very much.

[The prepared statement of Ms. McLanahan may be found in the appendix.]

The CHAIRMAN. Thank you very much.

Both of you have certainly offered some provocative thoughts to begin this hearing. Both of you stress the economic importance of the minimum wage. I do not want to get into a minimum wage debate here, but there are those who have said that increasing the minimum wage will cut off some access to entry-level jobs. These jobs are important for getting back into the employment system, particularly if you continue to provide child care and health care for a period of time—which gives some continuity of support.

Does that factor in at all, or should that even be a consideration, Mr. Phillips?

Mr. PHILLIPS. Well, I have read and heard both sides of the minimum wage debate, and it strikes me that the only justification for the desire to keep it low and pursue that approach, as opposed to make up for some of the ground lost by inflation's impact, is that the United States can no longer handle low-income people as well as it could back in the days when the minimum wage could be raised and raised and raised, and it clearly did not have those effects.

I do not really know what to think on that issue. It is persuasive from both sides and would suggest there is something that has fundamentally changed that is not really being discussed in the debate.

The one point that I would make, just jumping from that, is that clearly the thrust of your hearings does not directly relate to the Nation's political and social fabric in another sense. But I got into politics and started writing a book that ultimately became "The Emerging Republican Majority" in the mid-sixties when there was this enormous strain on the Nation's social fabric, and I thought it was aggravated by the Great Society programs and by liberal programs, and Hubert Humphrey saying he would lead a revolution if he could. And I think that the much greater danger now comes from the extent to which we have, notwithstanding Los Angeles 2 years ago, we have had a fairly stable social fabric in the cities. And this time, I think it could be greatly strained and torn by gestures that could be taken as economic contempt for the low-income people in this country by the people making decisions at the top.

The CHAIRMAN. One of the questions that always comes up is that benefits vary from State to State; even with the general guidelines that we have, some States are more generous than other States. Dr. McLanahan, in the work you have done, do you find that these rate variations make a difference? Do people go to one State because of more generous benefits than to another State?

Ms. McLANAHAN. My reading of that evidence is that there is not much of a migration effect.

The CHAIRMAN. Some States have more generous benefits. Let us take New York, for instance, which is a large population that has had very generous benefits. Is there any empirical evidence that it

is something that one assumes in one State versus another? Mississippi has very low AFDC benefits, actually, but a very high level of food stamp benefits. Is there anything that we can garner from these disparities?

Ms. McLANAHAN. Well, I know most about Wisconsin, actually, because I lived there for 10 years. Wisconsin is a very generous State and has a lot of support services outside of welfare as well. People there were always very worried that people from Illinois were going to cross the border. People do come from Illinois to Wisconsin, but very often it is just that it is the school system that draws them there and not so much the welfare system.

The CHAIRMAN. Which leads me to one final question related to education. I think education is such a key to breaking the poverty cycle, because you must start with educating the children—and job training as well. I think that becomes such an important component of what we do in welfare—and how you realistically move people into jobs.

I myself question whether you can say that after 1 or 2 years, you have to have a job, unless there also is going to be a fairly large public service component supporting those jobs. I think where we have really failed is in being realistic about what job training programs can lead people to jobs that are out there. That is why I think this committee is so very involved in welfare reform. If we do not get the job training component right, we are going to fail anyway. It really goes back to education as well, and how education ties into job training.

I guess that is more of a statement than a question, but I think we have seen experimentation over the years in one area after another. Somehow we believed that with all the money we put into job training, people automatically—if they would just go to job training—could find a job. And that clearly is not what has happened.

I am glad you said that it was not because of the benefit level that you saw people moving from one place to another, but that it was more because of education and the schools.

Thank you very much.

Senator Mikulski?

Senator MIKULSKI. Thank you very much, Senator Kassebaum, for having the first hearing in the Senate, in the 104th Congress, on welfare reform. I would say to you that I support the principles that you outlined in your opening statement about replacing welfare with work, rewarding those who practice self-help, and eliminating the disincentives to moving people into the employment area. Also, I know that one of your goals is the promotion of family stability.

Mr. Phillips, I loved what you said about we should not do it with pundits, think tanks, pamphleteers and so on. I think we all feel that way. But I am not going to ask you questions; I am going to talk to Dr. McLanahan about how to operationalize the good intentions we have talked about.

So much of the welfare debate, Dr. McLanahan, has focused on the role of the woman and moving her to the marketplace, helping her to get off of welfare and stay off of welfare. Often neglected in

the debate has been the role of men, except in a rather tart criticism around something called "deadbeat dads."

I wonder if you could comment on the current Federal framework and the role of men in the welfare reform debate. Do you think the current welfare reform policies promote the involvement of men, promote family stability, or how would you address these issues?

Ms. McLANAHAN. No, I do not think they do a very good job of promoting either the role of men or family stability. Single mothers is a special category, and you are much more likely to get child care or medical assurance and cash assistance if you do not have a man living with you.

So I think it is not marriage-neutral, in that sense.

I also think we do a terrible job of enforcing child support, and I think this is Government's responsibility. It is a private responsibility in the sense that the fathers should be paying their fair share, but the mothers cannot make them pay; mothers cannot establish paternity. This is something that the courts have to do, and this is something that Government has to do seriously. If we were as serious about collecting child support as we are payroll taxes and income taxes, I do not think we would have much of a problem doing this.

I think that would keep a lot of single mothers from ever going on welfare in the first place. It would also increase the cost of divorce and nonmarital childbearing for men, which could have some deterrence effect on divorce and out-of-wedlock births. So it could prevent people from going on welfare, and it could remove some of the people on welfare quicker.

There is a population of unmarried fathers out there who cannot pay child support, who do not have a regular job; and right now, the system is interacting with them in a bad way because it puts them in jail in some States, and putting a father in jail is not a very good way of getting a job.

So there seems to be a problem in the welfare rules about how to deal with these fathers. There are several experiments going on around the country about helping these fathers get jobs and making them able to pay child support.

So the bottom line here is that I think we should be very firm about what fathers should be doing, and at the same time, for the very, very poor fathers, I think we should make sure that they have the ability to do what it is we are telling them they should do.

Senator MIKULSKI. Dr. McLanahan, just to follow up—and also, this is for my colleagues—there is something in the Federal rules called the "man in the house rule." And for my colleagues, what this means is that most two-parent families are barred by law from the basic cash program. There were some modest reforms in the 1988 effort led by Senator Moynihan and others here. But right now, under the very cruel rules of the Federal Government, we actually push men out, and where a father is unemployed, or perhaps the unemployment insurance has run out, families do better if he leaves the home and becomes what I nicknamed in my social work days "the sundown dad," kind of coming around the back door. Essentially, we are emasculating men by the very rules of Government, where fathers want to be in the home and participate not

only in child support, but childrearing and, in other words, be a dad.

Would you recommend the elimination of the "man in the house rule" as a way of helping families stay together, and not only seeing men in terms of child support, but seeing them as fathers?

Ms. McLANAHAN. Well, I would in the context of reforming welfare more generally, but I would not say let us let all the men come in, and keep welfare the same, but just extend it. I think we need to have a time limit on cash assistance, and we need to build up this safety net outside welfare that includes health insurance and child care. And I think that poor two-parent families should be equally eligible for those kinds of benefits, so that the father does not have to leave home in order for the mother to get child care and health care for the children.

Senator MIKULSKI. Would you also then recommend that where the father is either in the home or not, but as part of child support if he can pay, that we insist on job training for the father, along with strong child support—I think we all agree on that—but job training for the father, and if not community service, responsibilities related to childrearing?

Ms. McLANAHAN. Perhaps a minimum wage job, a guaranteed job for the father; and then you collect from it the child support he owes, so it does not end up costing you as much as it might appear to, because you are taking back his obligation while at the same time guaranteeing that he has some way to pay that obligation.

Senator MIKULSKI. Mr. Phillips, do you want to comment on that? My time is short, but I noted in U.S. News and World Report article, that the issues of "Why Fathers Count" is emerging in the debate, not only around child support and welfare reform, but the role of men in our society and that, really, fathers do count. My own father was more than the paycheck that he brought home from his grocery store or the fact that he paid my college tuition, even when his own business had suffered a terrible fire; my father was my father, providing guidance, discipline, love, a presence in the home.

Do you want to comment on this, because the whole debate seems to be focused on women, and often in a very harsh way.

Mr. PHILLIPS. Well, obviously, one of the major forces in the disintegrative process—Dick Gephardt gave a speech some months back on which some people were commenting, where he was struck by somebody in Missouri who left his family because he had lost his job and his self-respect. I have forgotten where he gave the speech, but it was a public speech. My reaction to this—and those of men I know in their 50s—was to understand how shattering that would be. The reaction of women was, "Well, it was his fault. He left. Why is everybody sympathetic with him?"

So I think that there is a great duality here in the way the sexes approach these problems, and I do not know whether you can shed any serious light on that by getting into it.

I think it would be very interesting to take a panel of the so-called angry white males and get a sense of their view of the welfare system—take 30, 40, 80, just to see where they come out.

Senator MIKULSKI. Well, I think where they come out also depends a lot on where they are on the economic ladder.

Mr. PHILLIPS. Well, if they are involved in a welfare-related problem, they are going to come out on the side of self-interest, in all likelihood. But I was thinking of people who are subject to these stresses and feel these pressures, and how does that make them react on questions of social issues. That is obviously a major debate in the country at the present time. But in point of fact, I am not aware that anybody has taken a poll in depth of the social views of the angry white male.

Senator MIKULSKI. I think it would be very useful. Of course, one of the things that they are angry about is that for high school graduate or less men, there is an ever-shrinking opportunity for employment, and for college-educated men, the whole issue of downsizing and losing their jobs to technology has certainly exacerbated their discontent, as well as at times some feeling that they get a bad deal in this whole debate.

But I do not want to dominate this. Senator Kassebaum, I want to thank you and your staff. Tomorrow, Dr. Lerman from the American University, who has done extensive work on "unwed fathers" and their role in all this will be testifying, and it is an area which I think we need to pursue, that is, how do we bring men into this, and not only see them as a form of child support, but what is their role around promoting family stability. And we need to look at those rules in the Federal Government that work against men who want to assume or maintain their familial responsibilities.

The CHAIRMAN. Thank you.

Senator Frist?

Senator FRIST. Thank you, Madam Chairman, and thank you both for your very excellent testimony today.

I would like to continue the discussion a little bit, but shift it to the field of health care. Dr. McLanahan, in your testimony, you say: "Turning directly to welfare, the first thing to say is that its contribution to the growth of single-parent families is small," but then you go ahead to say that "welfare can account for about 15 percent of the growth."

With my background as a physician, many times, talking to single-parent families with children and the mothers, the discussion of "I will lose my Medicaid benefits if I marry my children's father, if I live with my husband; it is enough incentive for me to stay apart," literally stay apart.

That being background—and you came to it in your testimony about the disincentives for families to stay together—how was that 15 percent figure calculated, when you said in your testimony that overall, our welfare system has not contributed significantly to the problem?

Ms. McLANAHAN. Well, the figure comes from just reviewing a lot of research—and this is a very hot topic in the academic field, so a lot of people have studied how big an effect have the welfare benefits had. And I think the easiest way to think about this is that you can see that divorce and nonmarital childbearing are occurring across the entire population, among people who would never be eligible for welfare. So that right off tells you that these changes that are happening cannot be entirely due to welfare, because they are affecting all these other people.

Having said that, the way the studies are usually conducted is to look at differences in welfare benefits across States or over time, and the real value of the welfare benefit and foodstamps combined has declined since 1975, although these increases in family disruption have continued to grow. So that is one of the reasons that people argue that welfare, again, cannot be driving this.

Those studies usually do not include the value of Medicaid, and what you may be saying is is it possible that health care is so important to mothers and families that just the do you get it or do you not in itself could be having a much larger effect than these studies I am talking about. And I think it is possible. The studies have not really been done to answer that question accurately.

But I myself hear the same kinds of stories from single mothers on welfare. The thing they are worried about most is the child care. If I go to work—most of them want to go to work, but they worry about where they are going to leave their children, and they worry about losing their health care. And until those two parts of the safety net are set up clearly, outside welfare, I think it is going to be very hard to solve the problem.

Senator FRIST. Also in your testimony, you mention that you worry about States bidding down benefit levels once this great move today, pushing away from Washington to the States responsibility for welfare. Is that based on research, or is that just a concern that you have? Is that based on other studies that you have read, and other examples and other parallels, or is it a concern? It is a concern for everybody, but what I am really asking is if there is a body of data out there that would lead you to that conclusion?

Ms. McLANAHAN. It is more based on what I read in the newspapers. I mean, it seems like there is kind of a bidding war now going on across the States as to who can cut the most, the soonest, and that kind of thing. That really worries me that somehow, because it is politically popular in the short run, Governors are going to be forced to do these kinds of things because of political reasons; and I see them as having disastrous consequences for children and actually, long-term serious costs for children.

So I think we need the Federal Government in a way to kind of keep the States cooperating on this issue.

Senator FRIST. But in your testimony, you really argue that it is more financing from the Federal Government.

Ms. McLANAHAN. Yes.

Senator FRIST. Do you think that the States are less equipped from a structural standpoint, or is it just that they need the money? In your testimony, you basically said in times of recession, money may not come in, and therefore, the States may go into this bidding war. Is that your concern, or is it more of a concern that the States are simply not prepared to run programs which are entitlement programs?

Ms. McLANAHAN. No. I think in many cases, they can run them just fine. It is more the entitlement issue which really bothers me, so that during a recession, if you do not have an entitlement, the money will dry up, and States are not going to be able to raise taxes during bad times. So that bothers me about losing that Federal entitlement.

As far as the States running it, the States are already running a lot of the programs. But I think there should be some kinds of standards that would be set at the Federal level as to what sorts of minimum health care, Medicaid or child care types of arrangements. But in the end, the States have to run a lot of these sort of direct service kinds of programs.

Senator FRIST. Mr. Phillips, do you have any comment on health care, Medicaid and welfare? People may want to separate it out; clearly, it is a huge part of the program, that may build incentives to keep families apart. Do you have any comments on it?

Mr. PHILLIPS. Well, if I can pick up on the point you just made and the question of bidding wars in the welfare system, I could not tell you with any precision that States that have low welfare payments are attractive to business, and I am not saying that that is the reason why they are, but I would say they probably have low tax rates, and that would go hand-in-hand with having low welfare rates. And as a result, if you put the States—as I think we will be in the next few years—in a Federal fiscal squeeze pattern, and then you are simultaneously handing back to the States these responsibilities, which if they decide not to do as much in them as they might, they will presumably avoid having to raise taxes they might otherwise raise, that this sort of structure could have squeezing the welfare system emerge as a business-attracting tool, as much as giving a good deal to Mercedes in Alabama, or something.

And as I said, I have no expertise on this beyond the interaction of the fiscal side and the politics, but I would think it is something worth thinking about.

Senator FRIST. If that were the case, that it would be attractive to business over the long haul, with business coming in, would it improve the welfare system?

Mr. PHILLIPS. I think it is fair to say that business has gone into States with low taxes and low safety nets. And if you were to do a survey of the appeal of States, and throw that in with the right to work, there are a lot of things that go together—and I am not saying there is a direct relationship. The direct relationship might come into play if States have as a variable within their fiscal system welfare costs which, if they can minimize, they minimize tax increases and therefore their attractiveness to business is increased by taking a fairly hard line on welfare.

That is not a remote conclusion to reach; I just certainly cannot give you either statistics or theoretical projections.

Senator FRIST. Thank you.

Thank you, Madam Chairman. I would ask that my written statement be included in the record.

The CHAIRMAN. It will be included.

[The prepared statement of Senator Frist follows:]

PREPARED STATEMENT OF SENATOR FRIST

Thank you, Madam Chairman. I have found the testimony of the witnesses very instructive. They have identified the factors that impede an individual's ability to exit from welfare. They have emphasized the need for flexibility in pursuing restructuring of welfare programs and pointed out that there is no "one right way" to

achieve effective welfare reform. Finally, they have reminded us that having access to health care is a significant factor in any restructuring effort. From personal experience as a surgeon I have witnessed the effects of having or not having medical insurance on the lives of individuals and their families. Access to health care and the ability to pay for it, is a motivator that transcends socioeconomic lines, cultures, and life styles.

As we proceed with our discussions on how to reform welfare programs I would like to offer a few suggestions for consideration:

First, devise ways to reach and engage young people, so that they do not become the next generation on welfare; only then will we have real cost containment.

Second, involve the private sector in planning. For example, in an effort to attract and retain needed workers, Opryland in Nashville is offering free transportation, dormitories, and child care, in addition to salaries at or above the minimum wage. I suspect that many companies in the service and entertainment industries are receptive to similar support packages to attract workers as well.

Third, in order to assure minimum standards across States, set a basic services package.

Fourth, in order to determine if meaningful welfare reform has been achieved, offer States incentives for reporting on outcome measures.

There is a lot riding on our efforts. We must succeed. The American public expects us to write Federal policy that gives individuals the incentives to work and protects and supports the children left at home.

Thank you, Madam Chairman.

The CHAIRMAN. Senator Harkin?

Senator HARKIN. Thank you very much, Madam Chair. I apologize for being a little late this morning.

Mr. Phillips, I understand you did not have a written statement?

Mr. PHILLIPS. Well, it counts as written, I guess. It is typed, and I will give you one afterward. It is not available up there.

Senator HARKIN. I just did not see it in front of me. But my staff was telling me about what you testified about, and one of the things you said was you urged us to, in their words, be wary of welfare reform from think tanks and task forces, and that past experience tells us that does not work too well.

It seems like most of the driving force that I see coming on welfare reform is indeed coming out of think tanks and speculation and that type of thing. If we do not go there, where do we go to get good information?

Mr. PHILLIPS. Well, I am not suggesting that they sometimes do not have good information. I think that what you get out of a think tank and expert means of conceptualizing the problem is something of a hothouse, and as one who came to Washington right after getting out of law school in 1964, and the Democrats were about to go into overdrive with the Great Society, I remember thinking that this stuff was off-the-wall. As I mentioned earlier, this was the genesis of a book that you will probably remember, called "The Emerging Public Majority." When a party gets so far away from grassroots experience that it is making its laws and developing its concepts with all these people meeting, with little blueprints, stuff

they did in the Yale Graduate School of Sociology, and how many angels can you put on the head of a pin, and how many judges on the head of a pin are going to like it—well, the Democrats, after some 30 years of being the party of FDR and Harry Truman, became the party of all sorts of people who were meeting with far-out sociological schemes. I did not think it would work, and in the 1966 elections it did not appear to, and that is when I started writing the book about the Presidential pattern.

One of the great things the Republicans had going for them back then is that they did not really have any think tanks, so you did not have many of these people around. The whole early stage of the Republican sort of majority-gathering, so to speak, was based on the failures of liberalism. You did not have these hoards of conservatives, like the "Sunoco Fellow in Oil Spill" or all of the other things that they had. And now what you have is this incredible phalanx of all these people who work out of buildings that get rated in architectural magazines as well as everything else. It sort of reminds me of when the Ford Foundation was a big focus 30 years ago, and they had a nice hothouse, and they grew orchids.

I just think that when you get to the point where this is the genesis of party programs and legislation, and you have little off-the-wall titles and lists of 10, the "X" Act or the "Y" Act, you are at a dangerous point politically. And when the liberals got to this point, they came up with a lot of half-baked stuff, and frankly, that is what I am inclined to say is some of what we are seeing in January and February and soon to be March this year.

Senator HARKIN. I appreciate that entertaining response to my question. The reason I asked, obviously, is that I am leading up to something. It would seem to me that if we want to, we ought to be looking around the different States and taking a look at what experiments have worked in the past.

States have experimented in welfare reform. I would ask both of you, how would you feel about a welfare reform proposal that could pass muster and be voted for by Pat Robertson, conservative Republicans, and Jesse Jackson, liberal Democrats, that could be enacted into law, that after 1 year in existence, the number of people on welfare working would go up about 60 percent, and the average cost per recipient would go down about 10 percent—just in 1 year?

Mr. PHILLIPS. Well, that is one of the hypotheticals that the parties ask in their poll questions.

Senator HARKIN. No, no. I—

Mr. PHILLIPS. That has got everything in it you could possibly imagine that is terrific, so I am going to say wonderful, like 92 percent of the public would as well.

Senator HARKIN. Well, we have done that in Iowa. We have done that in Iowa, and no one looks at it. They look at some of these other States, I guess because they think Iowa is corn and hogs and that kind of stuff. They do not think too much about Iowa.

Senator WELLSTONE. And wrestling.

Senator HARKIN. Wrestling, yes; we have taught Minnesota a few things about that, too. [Laughter.]

But several years ago, back in the 1980's, the State of Iowa decided to do some experimenting in welfare reform on the county level, getting several counties together. That culminated 2 years

ago in a bill that passed the Iowa legislature. Only one person voted against it. And we had, as I said, Pat Robertson conservative Republicans, Jess Jackson liberal Democrats voting for it; Governor Branstad, a conservative Republican, signed it into law. Year before last we got waivers from the Federal Government to put it into existence. It has now been in existence for about a year and 3 months. We now have a higher proportion of people on welfare working than any State in the Nation. The average cost for AFDC recipients has gone down 10 percent. Yet we have not been punitive, and we are not kicking people off right away—but it is tough; it is a tough program. But it is a change in thinking about welfare. It is called “welfare to self-sufficiency”—not just get someone a job, but make them more self-sufficient.

We did simple things. Most people do not know that you cannot get AFDC if you have a car valued at over \$1,500. Most people do not know that. But you get an old jalopy to drive, and what happens—it breaks down in the wintertime, you cannot get to work, you lose your job, and that is the end of it. You are back on welfare.

So in Iowa, we raised it to \$3,000. If you think that is liberal, that very liberal State of Utah raised it to \$8,000. In Utah, you can have a car valued at \$8,000 and still get welfare. They found that people need those cars to get back and forth to work.

The program we have in Iowa is called the Family Investment Program. It is a contract between the recipient and the State. They sign a contract, and the recipient agrees to do certain things to become self-sufficient after they have done a profile of that person.

The initial cost of the program went up. Everyone agreed that the first year, we were not going to save much money, that it was going to actually cost us more in the first year. And that is true. There was a big bump because we took all the people who were on welfare and brought them back through the system again. We did individual profiles to find out what they needed—what was their educational background, health background, and what was their family situation, did they have disability in their family. We did a complete profile and then worked with the recipients and said, okay, what do you want to do to become self-sufficient, and what is your path out. Well, if they said I want to be a nuclear physicist, we would say maybe you ought to look at something else; here is your profile, and here is what you are capable of. And a certain time was set to accomplish that. There was an arbitrary 2-year time limit. But what we found was that most people do not need to be on welfare for 2 years—6 months, 8 months, 10 months—but there are some cases, like the 19-year-old young woman with 2 children, one of whom is disabled. She has an 8th grade education, and both of her children are under the age of 2. She is going to require more than 2 years. So they signed a contract with her for 3 years.

So that some things take a little longer than that. What the State then did is the State said, okay, if you agree to do these certain things, we will provide you with child care, transportation, tuition, whatever you need. The idea was not just to get a job, but to become self-sufficient. If the recipient does not agree with that, or does not keep up her end of the bargain, in 3 months, the benefits

are reduced to only what the children get, and after 6 months, they are totally taken away.

So I would like to say that the Iowa Family Investment Program requires responsibility from day one, and not after 2 years. They have got to be responsible from day one to fulfill their end of that contract, or else in 3 months, they lose a bunch, and in 6 months, they are off the program. That is pretty tough. But it is working out there.

I just wanted to take the committee's time and your time to tell you this, because I daresay you have not looked at the Iowa program. I talk to a lot of people who have not seen what we have done in Iowa, but it has worked, and it is still working. I had a hearing there in December with Governor Branstad there. He was very supportive of it. It is moving people up and out of welfare.

I have a note here that says we are still spending more on education, child care, and transportation, but the cash grant is declining. So the cash grants are coming down, but we are putting more into the transportation, child care and so on. As I said, it was not going to save any money in year one. Later on, it is starting to save money.

But as I said, we now have one out of every three people in Iowa on welfare working. So it is bringing them income, they are getting work experience, and it is adding to the economy of Iowa.

So again, back to my initial question—if we do not go to think tanks, where do we go? We ought to go out to the States and see what they are doing rather than having an ideological approach to this thing. That is what I am afraid of. It has been my experience here, Madam Chair, in the last 20 years that when ideology gets in front of common sense, it usually winds up costing us a lot more money.

The CHAIRMAN. Well, let me say, Senator Harkin, that I think we have panelists here who are not think tank people.

Senator HARKIN. Later on they are coming; that is true.

The CHAIRMAN. And some may know about Iowa.

Senator HARKIN. Well, again, I sure hope that we start looking at what the States are doing out there. Thank you very much, and thanks, Madam Chair.

Madam Chair, I would ask that my prepared statement be included in the record.

The CHAIRMAN. It will be included.

[The prepared statement of Senator Harkin follows:]

PREPARED STATEMENT OF SENATOR HARKIN

Madam Chairman. Thank you for convening this important hearing to examine the impact of welfare reform on children and their families. I am pleased that this committee will take a rightfully active role in crafting welfare reform legislation.

I have been actively working on welfare reform for the past 2 years. Over that time I have met with many Iowans including welfare recipients, caseworkers, businesses, and other members of the public to learn more about welfare and the Iowa reform plan.

In 1993 I worked with State officials to secure a waiver for a welfare reform program and last year introduced bipartisan legislation with Senator Bond modeled on the Iowa approach.

Welfare reform will inspire emotional and heated debate this year. Throughout the following months we will undoubtedly disagree on many issues. That's the nature of our jobs. But it is also our responsibility to govern wisely and to pass welfare reform legislation that is based on common sense—welfare reform legislation that enables families to truly become self-sufficient.

So, before we start arguing about what divides us, let's talk about where there is widespread agreement. And believe it or not, there is a lot of common ground.

First, we all agree that welfare is broken and must be fixed. It is failing the families on it and it is failing the American taxpayer. It must be fundamentally overhauled.

Second, welfare should be a hand-up, not a hand-out. Welfare is a transitional program and must not be a way of life. Welfare recipients must become responsible for themselves and their children.

Third, able-bodied welfare recipients must work and become self-sufficient. And I believe those jobs must be in private sector businesses, not in dead-end, make work government jobs.

And finally, States need greater flexibility to deal with this problem.

For welfare reform to succeed, we must have strong bipartisan agreement. And you're probably thinking, when pigs fly!

Well, as the number one pork producer in the country, Iowans know a lot about pigs. And we also know a lot about welfare reform.

In 1993 the Iowa legislature passed a comprehensive statewide welfare reform program. It passed with only one dissenting vote among the 150 members of the General Assembly and was signed into law by our Republican Governor Terry Branstad. This is a program which brought together Jesse Jackson liberals, Pat Robertson conservatives and everyone in between.

It is based on the simple premise that the receipt of welfare is a contract between the State and individuals. Both parties have certain responsibilities and abrogating the contract has consequences.

Each family is required to negotiate a Family Investment Agreement which outlines the steps that family will take to get off of welfare and become self-sufficient. It is based on the individual needs and circumstances of the family and specifies when benefits will end. If the recipient fails to follow the terms of the contract, their welfare benefits will be reduced and then eliminated in 6 months.

On the other side of the ledger, the State has responsibility to make sure that child care, transportation and education and training is available to families requiring such assistance.

In addition, there were other very important changes which allow families to keep more of their earned income, a reliable means of transportation and incentives to save.

This program began in October 1993 and is showing good results. The percentage of welfare recipients working at private sector jobs and earning income has increased dramatically. It has increased from 18% of the caseload to 31% for January—a 72% increase in just 16 months.

Since welfare families are earning income from a paycheck, the average size of the welfare grant has been falling. The average grant has declined by \$32.86 and now stands at \$340.89—a 9% decrease.

Since last April, the welfare rolls have been declining in Iowa and the actual amount of money paid out in cash grants during the past 3 months has been lower than any time for those months since 1991. The upward trend in payments caseloads is being reversed.

However, the State is paying more for other services such as child care, transportation and education than before. These investments will enable families to truly become self-sufficient.

The experience in Iowa has taught me three valuable lessons for welfare reform.

First, we must require responsibility from welfare recipients from day one, therefore, arbitrary 2 year time limits won't work. The limits must be based on the individuals needs and circumstances of the family and contracts must include firm consequences for failure to comply.

Second, welfare recipients need jobs in the private sector for which they earn a paycheck and enable them to become self-sufficient. Incentives for families to work and save are vital.

And finally, it is critical to get private sector businesses involved and invested in the success of welfare reform.

Senator Bond and I will shortly be reintroducing our bipartisan legislation that would build on successful welfare reform initiatives in our respective States. It is a common sense bipartisan solution that I hope this committee and others will carefully consider.

We will have an invigorating debate on welfare in the coming months. I look forward to the debate and believe we can reach consensus on a welfare program that truly moves families off the welfare rolls and into self-sufficiency.

I thank the chair.

The CHAIRMAN. Senator Coats?

Senator COATS. Thank you, Madam Chairman. I apologize for being late also, to the panelists and to you.

This morning, the base closing IV list was released, and in that, a couple of items had Indiana addresses—I notice that Kansas did very, very well, and I thought I would pass that word on.

The CHAIRMAN. Aren't we always grateful that we have these independent commissions?

Senator COATS. Yes. I wanted to pass that word on to you.

I appreciate the statements made by my colleague from Iowa. I just turned to my staff and said let us look at that program, so we would appreciate your forwarding us some information—

Senator HARKIN. I wish you would.

Senator COATS [continuing]. Because it really supports something that I have almost concluded is necessary if we are going to get out of this thicket that we are in, and that is to allow maximum State experimentation with the provision of services that once were provided by the Federal Government.

We have had testimony now from a number of individuals, and we will have more, I am sure, about some of the actions that various States have taken, and in a sense they are serving as laboratories for fairly significant reform of delivery of particular social

services. So I think we ought to look very carefully at that and we ought to perhaps expedite that process to the extent we can.

I wonder if I could ask the two witnesses—and I hope I am not repetitive—to briefly comment on the proposals which would essentially block-grant a number of block grants in various service categories to the States and the amount of flexibility you think they would need, and what we ought to retain, if anything, at the Federal level in terms of requirements and then utilize that as a process of providing more efficient delivery of services and more flexibility to States to write rules regarding that delivery.

Mr. PHILLIPS. Well, I will try to answer that in a broad way, and I am sure that Dr. McLanahan can answer it with more specificity. I have a fundamental problem with a block grant approach at this point because I think it is being pursued in some measure as a way to do two things—first, to hand the program back in a way that States that want to fund it substantially can fund it substantially, and States that do not want to have the wherewithal to sort of shrink and minimize this. We have patterns like that, obviously, in social welfare and the safety net in the United States already because of the role of the States, and this would probably magnify it.

One of the difficulties I have with this goes to a view, which we did get into slightly a few minutes ago, on this competitive federalism aspect, whereby the States get in bidding wars for everything from Mercedes plants to tax systems and all the games that go on there, and the extent to which there is some evidence, which is more indirect, but that States that have weak welfare systems and safety nets have low taxes so therefore have a good recruiting tool for business.

And one of the problems in federalism in this country right now, I think, is that there lacks an overriding mechanism to try to manage or reduce this competitive federalism, and it would seem to me that the block grant approach in areas such as the one we are discussing here has the potential to exacerbate the competitive sides of federalism which are troublesome ones.

I cannot comment with any qualifications on the purely welfare aspect of this.

Senator COATS. Dr. McLanahan?

Ms. McLANAHAN. I would like to say that I agree that you do not have to just rely on the think tanks now. You have got some experimental evidence out there, fortunately, so you can look around. Really, that is one of the exciting things that has been happening in the last 8 years, is the States have been doing a lot of experimenting, and in the next panel, I think you are going to hear Dr. Judy Gueron, who knows more about this than anybody.

But I think the message is that some experiments work much better than others. So I do not think that the bottom line is to then let all States experiment. I think the bottom line is to figure out what works, and let us try to get the States to do that. And I think she will tell you that some things work better than others.

One of the things that I am concerned about in the recent debate is that we seem to be moving away from all that we have learned in the last 5 or 6 years. We have been doing experimentation, we have been working with these work training programs, with stricter child support enforcement. So there is a lot of data now that we

have collected about this. Yet in some corners, the message seems to be let us just cut benefits and move away from all of this, rather than let us see what works and go with it.

Senator COATS. Speaking of that "what works" question, it seems to me that so much of our distribution of Federal funds or State funds or any funds for provision of social services, and particularly in the area of dealing with some of the social problems, whether it be delinquency or substance abuse or child/spouse abuse, or whatever, is based on such a rigid set of criteria, and it is not outcomes-based at all. It does not look at the success of the organization to whom the money is given. It looks at the structure of the organization and its compliance with all the Federal requirements.

Now, because a lot of the more successful efforts are religious based, we get into the whole State/religion question, and often that precludes funds from going to some of those entities that are in many cases the most successful because they treat more the whole person, the inner person, as well as the externals, and they do show some remarkable success, and there has been a lot of writing recently about that.

How do we bridge that gap? How do we cross that chasm that has separated us from really getting money to the organizations that are really kind of outcomes-based and are showing remarkable success? Do either one of you have any thoughts on that question?

Ms. McLANAHAN. Well, my sense is that what you seem to be saying is that some of the problems that you think work best at the States run into this funding of religious organizations.

Senator COATS. Well, particularly the Federal Government does; the States seem to have more flexibility.

Ms. McLANAHAN. But it seems like in the area of education, we fund scholarships for kids to go to private and religious-run schools; so the Federal Government has gotten around it in that area. And I guess I see that this may be a problem, but there may be other ways of getting around the problem if you really think that a certain parochial school is doing a great job with day care or something, and you want the funds to go to that. I think there are ways of getting around that other than saying let us just turn it all back to the States.

Senator COATS. Mr. Phillips, any comments?

Mr. PHILLIPS. No. I do not hold myself out as an expert on the management of these approaches, so I would not try to answer.

Senator COATS. Thank you.

Thank you, Madam Chairman.

The CHAIRMAN. Thank you.

Senator Dodd?

Senator DODD. Thank you, Madam Chairman. I will be brief. I apologize to both of our witnesses for arriving a little bit late.

Dr. McLanahan, I understand you may have commented a bit on this already, but you pointed out how the world has changed rather dramatically since AFDC was enacted into law, with the significant involvement of women in the work force, certainly a new phenomenon, and the increased number of single-parent families.

One of the issues that we are going to have to deal with, obviously, if we are going to make a welfare reform package work properly, is a significant child care component.

Senator Hatch and I crafted a child care development grant program a few years ago. There is an effort underway in the House to basically do away with it, or at least to eliminate the standards and so on.

It seems to me we need to have some input from those who have looked at the issues and at the importance of maintaining a viable child care system. Two-thirds of all the adults on AFDC have children at preschool age, and of course, two-thirds of the recipients of AFDC payments are children themselves.

I wonder if you might just briefly comment on the child care component, in light of your comments about the changed demographics since AFDC was enacted.

Ms. MCLANAHAN. Well, I think of child care as really an extension of education. It is just starting younger. I cannot think of a more important area, with the possibility of early health care, but I cannot think of anything more important than investing in the education of these poor children. And to the extent that you put the money into child care, you are not doing with it something that the population is going to object to—you are not giving it to the parents to do bad things with, or whatever the stories say. You are giving it directly to the children, and you are giving it to them at a time when they are just beginning to develop their intellectual facilities.

It seems like it is an incredible opportunity for the country to take these disadvantaged children, put the mothers in the labor force, and put the children in quality child care, and then going right up through the school system.

So it seems like it is just a wonderful opportunity that is presenting itself, and I think that other low-income two-parent families should get it, too. It should not be just for single mothers. And I think poor working families would support this kind of policy for the poor, because they would benefit from it and because I think they would see it as going to the children. But I think it would partly solve the welfare problem, too, because to the extent that you invest in the child care, the mother can afford to leave welfare and work.

Senator DODD. Of course, obviously, by the nature of my question, I agree with you. But I should also point out that one of the problems that we have, ironically, is the cost of child care in urban areas of the country—or I should say poor areas of the country. It is not limited to urban areas. The cost is generally higher because of the lack of competition. There are not many child care alternatives, so the old market principles work, and where you have limited access and limited opportunity, the prices go up.

So one of the challenges we face is coming up with an approach here—possibly incentives to the employers or direct assistance. The danger with huge waiting lists, even under the present system, particularly for the working poor who are out there, is that if we mandate people to get off welfare and go to work, we are then going to crowd out the working poor out there who have made the decision to enter the work force. They are holding body and family together by the most tenuous of lines.

So welfare reform and child care are really significant issues here. They raise some cost factors, and if we are truly interested in understanding the value of work and what it means to families,

neighborhoods, and communities, we ought to be talking about dynamics coming of the value of work. At the same time, you have to invest if it is going to occur.

It is going to be a difficult, because I think it will be very hard to achieve welfare reform, as I think most of us would like to see it occur, and avoid the kind of costs associated with it for it to happen.

Ms. McLANAHAN. The only thing I would say is it is the short-term versus the long-term cost, and it is more expensive in the short term to invest in good child care, but the long-term savings are enormous for these children. You are going to pay now, or you are going to pay later.

Senator DODD. I agree.

Dr. Phillips, let me just ask you quickly—I see the yellow light is on—about the idea of a safety net. And I am not going to involve you in some of the details of some of these questions, given your earlier comments about your unfamiliarity with them. But nonetheless the notion of nationhood with regard to America's children—certainly, there is a value to having States get involved in these questions, but given the fact that we are talking about a staggering number of infant children who are the ones at risk in a lot of what we are discussing here, the idea of at least having some sort of a national safety net so you avoid the kind of bidding down that I think you were alluding to in your earlier comments, if I heard them correctly.

Mr. PHILLIPS. Well, I agree with that. I think there has to be some kind of national safety level, or whatever you might want to call it. One difficulty I have here, hearing this discussion and listening to Senator Harkin talk about Iowa, and then examples coming out of Wisconsin and other smaller States, is that there is very interesting cultural geography in this country. As somebody who spent a lot of time looking at voting and cultural patterns, you really have across the northern tier of States, from New England through New York, into Michigan and out into the upper Farm Belt and the Pacific Northwest, areas that have a more communitarian history, and their patterns of being able to do this sort of thing are better; whereas other parts of the country have a more individualistic, leave it up to the individual approach, which has always put less emphasis on safety net and social welfare.

And I think you can do experiments and have States perform very useful laboratory functions, especially in this northern tier. But I am not so sure, as someone who grew up in the city of New York—you know, something that works in Iowa is not going to make it in New York City. And oughtn't everybody be thinking about different pathologies of different degrees of urbanization and social disruption and what might work in rural and small-town areas and what cannot work in big cities that might work elsewhere, and try to differentiate.

But to your fundamental question, do we have to have a national yardstick, I would say yes.

Senator DODD. I appreciate that.

Thank you, Madam Chairman.

The CHAIRMAN. Thank you, Senator Dodd.

Senator Ashcroft?

Senator ASHCROFT. Thank you very much, Madam Chairman.

Dr. McLanahan, thank you for all the work that you have done. I was interested in your comments about social pathologies and the fact that children in disadvantaged families and children in advantaged families have about the same performance when there is father absence; is that correct?

Ms. MCLANAHAN. Well, the increase in the risk that is associated with the father absence is similar.

Senator ASHCROFT. Is the same.

Ms. MCLANAHAN. Yes.

Senator ASHCROFT. Whether you are poor——

Ms. MCLANAHAN. Divorced, separated, or never married.

Senator ASHCROFT. I see. So father absence increases risk in about the same proportion, whether you are rich or poor, or whether you are white or black.

Ms. MCLANAHAN. Yes, exactly.

Senator ASHCROFT. And that is true about divorced or never-married parents.

Ms. MCLANAHAN. Yes.

Senator ASHCROFT. Is it true about children of parents who are deceased?

Ms. MCLANAHAN. No.

Senator ASHCROFT. I thought I recalled one of your studies that indicated that.

Ms. MCLANAHAN. That is true.

Senator ASHCROFT. Have you figured out why it is that children of a deceased parent do not seem to suffer the same social pathologies that children of an absent parent in another respect do?

Ms. MCLANAHAN. I think there are a number of reasons. One is that they get survivors' insurance, so they are much less likely to be poor. I had a friend once who was divorced and did not get any child support, and her ex-husband was killed in a plane crash, and she started getting all this money every month for the child because the father had been killed. So a widow gets an enormous, a much larger pension than an ordinary single mother or a divorced mother.

But I think there are other things besides just the money. I think that the community is more likely to step in and support the widowed mother. I think the father continues to live in a very positive light in the child's mind. There is not conflict between the parents. So I think there are many reasons.

Senator ASHCROFT. Are there some risks that accelerate when there is a step-family?

Ms. MCLANAHAN. Yes. That has been one of the recent findings that has puzzled a lot of people, because remarriage certainly helps the income problem. So if you believe that the only problem here is income, the fact that the children in remarried families do just about the same as children in divorced and never-married, that tells you something right there.

I think what happens is the remarriage involves a lot of additional changes for the child, and sometimes it is hard for the step-parent to really fill the role of the absent father.

Senator ASHCROFT. So that marriage that comes to a previously never-married family is not always a solution for that family?

Ms. McLANAHAN. No, it is not.

Senator ASHCROFT. And some of the risks go up as compared to staying unmarried.

Ms. McLANAHAN. Yes. The point that I try to underscore here is that what matters for the child is whether the father is around for the long haul. It is not whether there is a man in the house at some point. It is not whether the parents get the marriage license. If you compared two families—here are two parents who did not get married, but the father was around for 18 years, supporting the family, and you asked how is that child going to do compared to a child in a family where the parents married, and the father took off after a year and does not pay child support and never comes around, I would say the first child has got a much better chance.

Senator ASHCROFT. This is a pretty complex area, then, isn't it?

Ms. McLANAHAN. Very.

Senator ASHCROFT. And you think that the experimentation that has gone on in the community of States has been good.

Ms. McLANAHAN. In the welfare reform areas of getting people off welfare, yes. I think we know a lot more than we knew—

Senator ASHCROFT. And do you think we know enough now just to put solutions into the Federal law and not provide a basis for States to continue experimenting?

Ms. McLANAHAN. No, I would not say that, and I would say that Dr. Gueron can speak much better than I can to what more we need to know.

Senator ASHCROFT. It just occurred to me that both of you as witnesses seem to be saying that we need to have a federalized program, and that when Senator Coats raised an inquiry about block grants, that there was so much danger of States being in a bidding war to abandon welfare—experimentation seemed to be good to this point, and it sounded as if you thought we had arrived at an ultimate truth that we could now enshrine in statute that would last forever.

Ms. McLANAHAN. No.

Senator ASHCROFT. You do not think that that is the case?

Ms. McLANAHAN. No.

Senator ASHCROFT. So we should still allow experimentation, but not have block grants?

Ms. McLANAHAN. Yes, I think we should still allow for experimentation, pushing States in the direction of what we have learned so far.

Senator ASHCROFT. How would you structure the right to experiment, and how would you label it differently than calling it a block grant?

Ms. McLANAHAN. Well, the thing that bothers me about the block grant is that once it is no longer an entitlement, in hard recessions, we could have a lot more families qualifying for welfare that would not be able to get welfare.

Senator ASHCROFT. Would it bother you if abandoning entitlements reduced the number of people who needed welfare?

Ms. McLANAHAN. No—but I do not think that would happen.

Senator ASHCROFT. Well, you said in response to another question that you would be afraid we might just cut benefits and move away from the system. What if a State experimented with cutting benefits and found out that it was such a powerful motivator that it reduced the number of people who needed welfare? Do you think we should have a system that might allow a State to look at that as a potential?

Ms. McLANAHAN. Well, maybe we probably have had that experiment out there. I know in the case of Wisconsin, it has cut their caseload a lot. My understanding there is that they put a lot of money in training and education, so they have been very successful, but they have not done it by just cutting benefits.

Senator ASHCROFT. Well, reallocating, redesigning benefits. I mean, at some point, it may be that necessity would be the most powerful motivator. All I am saying is that when we are lauding Iowa for making an experiment, and we are saying that there have been good experiments in a lot of States, then why should we suddenly disallow the States from experimenting for fear that they might just sort of bid down?

Mr. Phillips, you said there might be a bidding war. First, you talk about a tier of northern States, and you pit them against the southern States—and I do not want to go into the demographics of geographical hierarchy here; I want to stay away from that. What States do you know that have bid down their welfare system and bid down their educational system to get low taxes? Can you name several States that have done that and attracted a lot of industry by doing so?

Mr. PHILLIPS. Well, "bid down" is an interesting definitional problem, because in most of them, they never bid it up.

Senator ASHCROFT. It should be the same consequence. Can you name some of the States that are very low in terms of their education and in terms of their welfare that have attracted a lot of industry because of it? This is a fear you raised, and I just wonder if you could name a couple of States.

Mr. PHILLIPS. Well, the man you should have to talk to you about that would be Ross Perot. You remember Texas back in the eighties, when the only thing he thought they could graduate out of high school were people who knew how to put on a helmet; so he led a crusade to try to improve the Texas educational system—

Senator ASHCROFT. I am just wondering, if we are going to say that block grants and trusting States to try to allocate these resources and solve these problems is something we cannot do, that we cannot trust them because they will get into this kind of bidding war, is there any experience anywhere to demonstrate that? As I look at the States with the lowest economic development, they tend to have low welfare, low educational expenditures across the South, and real challenges with birth survivability and the like. I think the story of the South over the last 2 decades has been to try to elevate what they are committing to education and improve the kinds of things that would build a long-term, stable and workable labor pool, especially in light of the competition which requires more productivity and higher education and greater skills. And I do not see this bidding down process in the experimentation that

has been allowed under the waivers, which have been limited, so I just wonder why we think that might happen.

Mr. PHILLIPS. Well, the first thing clearly is if experimentation has been possible under the waivers that have been allowed—and I assume this applies to Iowa—that therefore you have a way to have experimentation without block grants. Now, the second thing is—

Senator ASHCROFT. It takes 2 or 3 years to get a waiver, and you have to fight your way through it. I spent 8 years as a Governor, and we tried to get waiver after waiver, and it takes a long time.

Senator HARKIN. It took us 4 months.

Senator ASHCROFT. Good. Great job. Maybe we are doing a better job. But if it is good for one State to experiment, why not all of them?

Mr. PHILLIPS. Well, if they are experimenting without the block grant, then why do you need—and I do not want to turn this around to be a question—but obviously, what you have is a system that permits, and not with necessarily a waiting period of 3 years, significant experiments in this vein, the results of which we just heard described.

Senator ASHCROFT. I think that question is a good one. I will give you an experience from my home State. We have an experiment in Kansas City, I believe it is, where with our Medicaid population, we put in managed care, and we have found out that if you could release the entire Medicaid of the State into managed care, that instead of treating 600,000 people according to the current administration there, we could treat 900,000 people with the same amount of money. But we do not have the release from the Federal program that would allow us to convert Medicaid. But a block grant would provide that release instantaneously. You could either have a 50 percent increase in the number of people covered, or you could have a 33 percent decrease in the amount of money required and cover the same population.

The existence of waivers and the narrow experimentation that we have now does not say that we should not have more, it seems to me, block-granting capacity; it may argue that we should implement this experimentation on a broad basis, which certainly does not exist now.

Mr. PHILLIPS. Well, if you were to look at the periods in American history that the States are generally cited as having served as laboratories, the early part of the 20th century would really stand out; a lot of what was done then was picked up in the New Deal. And it would seem to me, extending your argument, that what you might think about would be trying to come up with a system that would further promote and facilitate experiments of the sort that you are describing, without necessarily running the risk of moving to the full-stage block grant approach, which—you asked me if I could cite an example of bidding down. Well, one of the reasons why you do not have the cockpit existing to set those political judgments and circumstances in motion is that these things are not coming to the States right now through block grants. So the interesting question would be if they do in fact have downturns and tax pressures, and they have some leverage there to let it slide, whether the new circumstances would empower that slide.

So if you are wanting to facilitate State-level experiments, it would seem to me that you could take the framework which is there and improve it along the lines that you are talking about, taking advantage of all the things that you have all discussed and ways in which it could be better facilitated than it is at the present time.

Senator ASHCROFT. Thank you very much. I appreciate your testimony.

Thank you, Madam Chair.

The CHAIRMAN. Thank you, Senator Ashcroft.

Senator Wellstone?

Senator WELLSTONE. Thank you, Madam Chair.

Just listening to the last exchange, Mr. Phillips said earlier, Madam Chair, that he thought it would be interesting if we had a panel of angry white males to get their sense of welfare. And it occurs to me that I think we know what they would say, given the economic squeeze and given the fact that this is such a hot-button issue. But of course, just by way of context, there are all of these cultural stereotypes, and these mothers and children do not exactly have the money to get on NBC and CBS and ABC and run ads, taking on some of these myths.

I really believe, Madam Chair, that we are coming dangerously close to making the argument—I have heard this in some of the comments today—something close to arguing that Social Security causes people to get old, that welfare causes people to be poor. I mean, there are lots of other things in the political economy—I have read most of your books, Mr. Phillips—that have some effect on wage levels and conditions of families and so on. So I really worry about some of this scapegoating.

Let me just suggest, Madam Chair—and the Senator from Missouri has left—on this whole question of bidding war, that all you have to do is look at the State by State variations of benefits. All you have to do is look at some of the studies and ways in which welfare policy in all too many parts of the country has become very punitive and very degrading.

Madam Chair, I think it would be very helpful if our committee were able to get data on the waivers where, remember, you have to have control and experiment groups—this is done carefully. We are talking about children's lives here. That is the focus, on children.

I do not know of a lot of waivers where States have then used those waivers to expand support for families. It would be very interesting to look at the record, and I think this committee ought to do that, because my judgment about this is that you can decentralize the decisionmaking and let the creativity happen at the local level—I have done a lot of work with welfare mothers over the years; most of them want nothing more than to be able to work and support their families—but my guess is that if we are going to get to that point—and this is my question to you both—we are going to have to have real reform, and I gather that means there has got to be affordable child care, I gather that means there has got to be some job training, I gather that means there have to be jobs that people can support their children on—and I gather this is not done on the cheap, and I gather that if we are going to have a fam-

ily child care policy, we are going to run into big trouble if it is just for welfare mothers, because those working families are going to say: "Wait a minute—do you know what we have to pay for child care?" or "We cannot afford to pay for child care, and why them and not us?"

So Madam Chair, if I could get your attention, I want to make a request. I know you have all sorts of people talking over there.

The CHAIRMAN. We are trying to figure out whether we can stay in our hearing past 11 o'clock.

Senator WELLSTONE. I am sorry. Could I make a request of you and then ask the question?

The CHAIRMAN. Sure.

Senator WELLSTONE. Parallel to the angry white males, if we are going to have that gathering, I really think we ought to have a hearing where we have many more of these mothers here, testifying. I must say that their voice has been absent in what has been going on here, in the House of Representatives and the U.S. Senate.

We have not heard from a lot of women who were on welfare at one time in their lives and have then gone on, give that transition, to live successful lives, to talk about AFDC. We have not heard their voices—

The CHAIRMAN. Well, we have a former welfare recipient who will testify later this morning.

Senator WELLSTONE. One. We do, and I thank you. One. But I think we need to have a hearing. I am not trying to get into a big, acrimonious debate. I am just saying that I think it would be an important foundation for good public policy if we devoted one morning to a hearing where we just had the mothers come in and talk about their experiences with welfare and talk about what they think would constitute good reform. And my question for the two of you is can we do this on the cheap? Does it not require an investment of resources now, a significant investment of resources now? And if that is the case, do you see any evidence whatsoever that the United States Congress is moving in the direction of reform, or are we moving in the direction of what some people call "reformatory"?

Mr. PHILLIPS. Well, I think I agree with some of what you are saying, but I think the notion that this debate can be turned around in its present context and very quickly become one of we are going to have new programs that cost a fair amount of money, because we have to treat the working poor the same way as the people on welfare, and you get yourself into one of these Danish/Swedish-type analogies as to how you set all of this stuff up, and it is quite instructive, of course—the Swedish Government is about to go down the drain; they cannot afford everything they do.

So I think the political realities of the moment are such that you are basically looking at avoiding the further reduction and comparative gamesmanship of the system, as opposed to being able to put in place some substantial further expansion.

Senator WELLSTONE. Something new, yes. But if we do not do that, how are we going to have the reform, just in the welfare? If we do not have the commitment to child care, if we do not have the commitment to job training, if we do not have an economy that

produces jobs people can count on, how are we going to have real welfare reform? The focus of this hearing is on the impact on children.

Mr. PHILLIPS. Well, the answer is we are probably not going to have it. If you look around at the other industrial countries, there is a retreat from the welfare State. One of the things that was clear in the early stages of the health debate that should have been partaken of more by people in Washington, was that this had turned into a zero-sum game even in the health arena in most of the G-7 countries, and that this is not an area of opportunity in the present global economy, and that you are not in a position to set up all kinds of new things.

Ms. McLANAHAN. Well, I am a little puzzled as to why we have changed so quickly in the last 3 months from where we were going, because I think we were going to really reform welfare, and I think there were some estimates that suggested it was not going to break the bank, but it was going to be basic changes in terms of time-limiting cash benefits and then having this set of obligations that you would do afterward.

So I think we were moving in a very sensible direction. We had a lot of experimental evidence to suggest what would happen. And I think that politically, it was going to promote family and work, which is what a lot of the low-income working population is so concerned about. So I am not quite sure why what seemed like a very sensible, reasoned process has been abandoned, toward more let us just cut the benefits entirely. I guess I do not get the sense that that is your position on this committee, either, so I am pretty optimistic that that is not really what is going to happen. But I do think we have to change the basic system.

Senator WELLSTONE. Along the lines of reform, yes. Well, we will count on the chair of this committee to lead the way.

The CHAIRMAN. Thank you, Senator Wellstone.

I certainly agree and want to be able to have hearings where we can have a broad spectrum of voices heard. It is important for us to understand the issues involved in the welfare debate. We also need to be knowledgeable about the redtape of the system. That is what we are trying to get at as well, how it works and where the flaws lie. And we have to hear from everybody to understand that.

Senator WELLSTONE. Do you think we might consider a hearing just with the mothers coming in?

The CHAIRMAN. Well, we will do our best. Maybe we can balance it with the angry men.

Senator DODD. Why don't we just do husbands and wives? [Laughter.]

The CHAIRMAN. Let me just say before calling on Senator Abraham that Senator Byrd has raised an objection to holding hearings past the 2 hours since the Senate has been called into session. Many committees have requested this be reconsidered, and Senator Byrd, who has a right to raise that objection, has said no. He will adhere to his objection.

One of the options I have is to say that the official hearing is over, but if I am personally responsible for the stenographer, and the record can be kept, we can continue with the hearing. I would like to do that. There will be a record, and we will continue.

Senator COATS. Shall we pass a hat to help you defray those costs?

The CHAIRMAN. Well, I will pass it among the committee. [Laughter.]

I think this will work out just fine. Many people have made a big effort to come today.

[Whereupon, at 11 a.m., the Chairman requests the remainder of the session be made a part of the record.]

[The following text was inserted into the record at the Chairman's request.]

Senator Abraham?

Senator ABRAHAM. Thank you, Madam Chairman. In deference to your budget, I will try to keep my remarks limited.

I would like to respond to a point made by Senator Wellstone. The implication is that somehow, the waivers that are being granted are not designed to expand program eligibility or benefits. In fact, in our State—and I will send it over if you would like to see it—I have here a copy of a list of an enormous number of new directions we have gone in in the last couple of years since 1992, where waivers were designed explicitly to try to provide people with opportunities to secure program benefits that they were otherwise prevented from enjoying.

For example, we finally obtained a waiver to eliminate the work history requirement in two parent families that had to be filed before people could qualify for the Federal AFDC program. What this effectively had done—by requiring people to provide a documented work history—was it essentially denied Medicaid eligibility for certain families in our State. By finally getting a waiver so that the work history requirement was not necessary, it actually expanded by 4,500 the number of people who were able to access health care through the AFDC program.

Now, that was not the only reason why we did this. The work history requirement—and it goes back to a much earlier point that was made, I think by Senator Mikulski—had the effect of actually causing families to break up. If the father and mother were in a home, and it turned out that the father, for instance, had not had a work history in previous months or over the period of time that was involved, then AFDC benefits were not available, so families were splitting up because of that work history requirement.

By securing this waiver, we have been able to address this problem. And I have here a whole array of waivers that our State is currently seeking as part of our continuing efforts to reform the welfare system. They work for our State, but they do not necessarily work for other States, and I guess I want to ask this question as a starting point. Don't you think that in the same sense that one size does not fit all, that the idea that we would not allow States to have a very extensive amount of experimentation is hurting attempts to reform welfare. Because in fact, as soon as we say every State has to conform to a Federal regulation, it seems to me we really are denying, not only the innovation that comes from experimentation, but even the notion that Michigan is different. We are a big State. We are in that northern belt that Mr. Phillips referred to, but we are very different than Iowa or other States in the country.

Don't you feel that that is a major problem, if we do not allow a large degree of flexibility and experimentation?

Ms. MCLANAHAN. I guess I do not see the conflict. It seems to me that the Government could maintain some sort of minimum floor for children in terms that they are ultimately the protector of children, and yet allow the States to do a lot of experimenting, as long as they do not violate some basic principles.

I do not see those principles as having to do with micromanaging how the States do it, although I understand some of the things you are raising, and I appreciate the fact that in many cases, there is some kind of bureaucracy that is getting in the way of States doing things like putting Medicaid people into managed care systems, which does not seem to make any sense.

So there is a lot of this that does not seem to make sense, but it is different than saying you would be allowed to just cut huge numbers of families off.

Senator ABRAHAM. Do you have any sense of how much State time is involved. Earlier the question was asked about impediments to these waivers, and the duration involved in obtaining them is substantial. Most of ours take months or years to get, even the most simple ones. One of the things that Senator Harkin mentioned in Iowa was the one-vehicle exemption. Obviously, if you are going to try to get a job, and you have no transportation, it makes it more difficult to hold the job. But I just wonder if either of you have a sense of the amount of time that State agencies and bureaucrats spend trying to meet the regulatory needs of Washington in securing these waivers—the paperwork needs.

Ms. MCLANAHAN. No. That is something that the people who will be testifying later are obviously in a much better position than I am to talk about.

Senator ABRAHAM. Well, I will just give you the answer in my State. It is two-thirds of their time, according to our State's social services director. Two-thirds of their time is spent on paperwork; most of it is spent in just trying to qualify for the waivers that we are seeking, virtually all of which would expand eligibility or try to address some of the problems like the breaking up of families.

Madam Chairman, I do need to suspend and get to the floor at this time. I may have some questions in writing that I would submit later for this panel and the other panels. But I appreciate your letting me continue on here.

Thank you.

The CHAIRMAN. Thank you.

The first panel has been here longer, I am sure, than they had anticipated. I very much appreciate the thoughtful observations you have made. It is food for thought for the rest of the hearings we will hold, and I thank both of you coming.

Mr. Phillips, Dr. McLanahan, thank you very much.

It is a pleasure to welcome the second panel. First, William Waldman is the commissioner of the Department of Human Services in New Jersey. As a member of Governor Whitman's Cabinet, Commissioner Waldman is responsible for administering the department's current policies and programs. In addition he is responsible for developing new policies and programs that provide a

broad and more effective array of social services to children and families. It is a pleasure to welcome you, Mr. Waldman.

Second, Mr. Lawrence Townsend is director of the Riverside County Department of Public Social Services in California. Mr. Townsend has served in this capacity since 1982, and under his guidance, Riverside County's JOBS Program, known as GAIN, Greater Avenues for Independence, has produced the most impressive results ever found for a large-scale welfare-to-work program. With so much experience in welfare reform, it is a real pleasure to welcome you, Mr. Townsend.

Dr. Judith Gueron is president of the Manpower Demonstration Research Corp., commonly known as MDRC, which I do not believe is a think tank. MDRC is a nonprofit organization which evaluates programs aimed at improving the economic prospects and well-being of disadvantaged families. Currently, Dr. Gueron is leading MDRC's 8-year effort to evaluate the job opportunity and basic skills training, or JOBS, program.

It is a great pleasure to welcome all three of you. Each of you is very knowledgeable in this field, and we appreciate your giving time to help us better understand the questions on welfare reform with which we are dealing.

Mr. Waldman, we will start with you.

STATEMENTS OF WILLIAM WALDMAN, COMMISSIONER, NEW JERSEY DEPARTMENT OF HUMAN SERVICES; LAWRENCE E. TOWNSEND, JR., DIRECTOR, RIVERSIDE COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES; AND JUDITH M. GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Mr. WALDMAN. Thank you, Madam Chairman, distinguished members of the committee. It is indeed a pleasure to be with you today.

What I hope to do quickly is to give you a brief overview of New Jersey's history as a State laboratory, what reforms we have done, how they have worked, and also point out some issues or problems that one often encounters in the context of reform.

On a personal note, I have had the pleasure of being in this field and starting my own career as a welfare worker and have lived through a variety of interactions of that.

The CHAIRMAN. So did Senator Mikulski, so you can see what it can lead to.

Senator MIKULSKI. What did it lead to? [Laughter.]

The CHAIRMAN. Sorry, Mr. Waldman. I should not have interjected.

Mr. WALDMAN. That is okay; I enjoyed it.

We started our first major waiver reform project in New Jersey about 10 years ago. It was called the REACH program, or Realizing Economic Achievement. It was predicated on some of the goals and values discussed here earlier.

Basically, we started with the belief that there was a mutual responsibility, a responsibility of the individual welfare recipient to do everything that was necessary to achieve economic self-sufficiency, but a concomitant responsibility of, in our case, the State of New Jersey to provide all the necessary support that would en-

able someone to achieve self-sufficiency, and that included extended child care, extended health benefits subsequent to leaving welfare, as well as job training and education services.

There were sanctions in the program for nonparticipation. At the heart of it were these values translated into what we call the "social contract," where there was an actual written agreement between the State or county-administered system—so it was the counties, in that case—and the individual recipient that spelled out the detail of that. What we hope to achieve is an individually tailored plan around each individual, reflecting what that particular individual needed in the mix of services and what the individual was going to accomplish.

We tried to tie in some comprehensive statewide planning for it, recognizing that even within the State, the economy varied; job training had to be tied to the local economy, and we gave some opportunity to bring in some of the other systems we thought were important, such as housing, such as education, such as labor and health care as well.

In 1988, when the Family Support Act became implemented and the JOBS program part of that, our transition was relatively easy, because our program embraced many of the concepts of the problem.

In terms of results, in the last year of the program, in a snapshot of that year, we had about 11,200 AFDC recipients in training, we had 6,000 at that time in an active, structured job search, and we had 7,200 who had found jobs and left the program.

We felt we needed to go a little further than the REACH program, and in 1991, we implemented something called the Family Development Program. It was different from JOBS and from our previous REACH program in several ways. It kind of stressed the values in the current debate on the reform of welfare. It stressed the values of family, keeping the family together, the values of work, and the values of education. It specifically rewarded behavior that led to strong families and rewarded work.

One of the things we did—and Senator Mikulski, you would appreciate this—was we eliminated the marriage penalty and eliminated the "man in the house" penalty that you were referring to. We had always operated a State program that provided State benefits that did not meet the Federal definition, but we only paid at three-quarters of the rate. We paid the Federal eligible recipients. So we made the benefit level equivalent, and we said that if people on welfare got married that the children would retain the benefits as long as the family income did not exceed 1500 percent of the poverty level.

One of the things we recognized was that access to services was often an issue, and you had to have a good local plan that moved people through the system very quickly. So we created what we call family resource centers, where we tried to collocate things like job training opportunities, child care and other aspects of the program.

We also enriched the program further by adding another year, a 2-year Medicaid phaseout, but we also added on the personal responsibility side some higher expectations and sanctions. We were the first State up and running to have something called a "family cap." The family cap says that in New Jersey, if you are on assist-

ance, and you have a child 10 months after you first receive assistance, that child is not eligible to be added onto the grant, although Medicaid and foodstamp benefits remain eligible. That is now in some of the current versions of proposed laws as well, so I think we have had the most extensive experience with that.

We focused also and made some investments in education, because we believed that New Jersey had a high-tech economy and that exclusive efforts on job clubs and job placement were very powerful and useful, but we felt that given our economy and given the view toward long-term self-sufficiency, it was wise to make some investments in basic training, particularly literacy and particularly computer literacy.

We also added in a couple of elements people do not think of in terms of welfare reform, in terms of reforming the bureaucracy of the system and the way it works. We probably will have shortly one of the most extensive penetrations in welfare recipients of what is called electronic benefits transfer where, rather than receiving a welfare check and getting actual foodstamps, people in our State for the most part are getting debit cards. It minimizes fraud and abuse and we think promotes client choice and client dignity.

Also, we agree with some of the previous speakers that child support enforcement had to be a very, very important part of our component.

Very quickly, summing up, some of the results were very good. In child support, we collected half a billion dollars. We had about 12,000 people last year leave welfare for work, at an average wage of about \$6 and change, \$6.36 an hour. On the family cap, we are doing an evaluation to assess the true impact of that. It is an issue that has gotten both national and international attention. It appears that the birth rate, as one thing we can say in preliminary results, has been reduced among the welfare population.

Just quickly, some concerns and issues we have in implementing change. It is not easy. It is not easy for either the welfare workers or the welfare recipients. There has got to be some lead time, some training, some investment, to let people know what the new dynamic is and how it can work. We need some time to phase it in. We cannot design a system that lets participants get lost. There are too many breaks or holes between arranging the child care the training. People fall through those holes. So you have got to pull it together in a coordinated way.

We found that to make it work, it has got to be a full, statewide priority. It cannot just be a welfare priority. It has got to be an education priority, a labor priority, a child care priority, and so forth.

One thing I want to stress very strongly is that it has got to be individually. The "once size fits all" does not work in this program, in my view. People on welfare, like anyone else, have a variety of needs, they are in a variety of life circumstances.

The other thing I would stress is the dominance of the economy. In good times, this works real well when there are lots of jobs, and in down times, it does not. You have really got to design your program with reference to the local economy and what is there.

Systems in EDP are issues. They are very expensive and labor-intensive when they get up to some of the data systems to support a changed program.

There was some discussion of waivers before. They are extraordinarily labor-intensive. Our State, like many States, has downsized the size of its State government. We do not have the luxury anymore to work over time. My own view is that no matter what percentage you spend on it, it does inhibit creativity and change, and it takes an enormous amount of investment to get particularly broad-scale, creative ideas.

We think that block grants are an attractive alternative to the current system. It would permit us to build upon and refine some of the gains that we have made in the last year. We do think some of the current bills are still far too prescriptive in that way, particularly on the eligibility restrictions for certain populations. And we recognize that there is a price for this flexibility, and that price is somewhat of a level of a capped entitlement. We would be willing to deal with a reasonably capped program, but we also recognize that there are downturns in the economy, there are States that have extraordinary emergencies, and we believe there should be additional countercyclical aid to balance it, so that States could deal with those extraordinary or long-term situations.

There is much more, but in my experience, I do not think there is any one best way to reform welfare. I think there are different approaches that work better in different States, that they have to be geared to the State's local economy and culture. But I think the national goals can be the same. I think the national goals could stay around work, around preventing out-of-wedlock births and investing in our children for the future. And I think the accountability—and there has to be accountability for this in the Federal Government—can be based on outcomes rather than process.

So in summary, block grants represent some opportunities and risks, but I think the risks can be minimized by some guarantees to the State, and I think there are real opportunities for further State experimentation.

Thank you very much, Senator, for the opportunity to be here with you today.

The CHAIRMAN. Thank you, Mr. Waldman.

[The prepared statement of Mr. Waldman may be found in the appendix.]

The CHAIRMAN. Mr. Townsend?

Mr. TOWNSEND. Good morning, Madam Chairman and committee members.

I thought I would explain a little bit about our GAIN program and particularly where Riverside County is. We have 1.4 million population in the county. The county is 200 miles long. We have three different economies within it that are totally different from each other. We have an urbanized and manufacturing west end; we have an agricultural middle part; and we have the desert and resort areas, like Rancho Mirage and so on. We have heavy heat in the summer and more employment in the winter. So we have had a lot of experience with different situations.

In running our program, we have decided to focus on a rapid employment model, to concentrate on a single output, and that is job

placement. In our county, we conduct an orientation, and we do an appraisal reading in math proficiency. Those that have high school degrees and those that score roughly over the 9th grade reading and math level go to the job club/job search program. Those without high school and scores below the 9th grade go to remedial education.

We are not interested in letting people sit in an academic seat and be satisfied with that. We pay for academic completions. We do not pay for anything else. If they move a grade level, we pay \$300 to \$400. We are interested in rapid movement through education.

There is not much of a balance who go to the next step, called assessment, because of job placement volume, nor to training or extensive secondary education, nor who have to go, maybe 4 percent, to community work experience.

We were fortunately allowed by our State legislature to experiment, and we are encouraged to do that—a most unusual thing that happened. They gave us a research budget and they hired a firm statewide and then wanted to examine what happened. Because they saw most of my peers going toward the education and training model, maybe it is a matter of personality, but I decided to go the opposite way to find out what the highest performance could be, what kind of results and what kind of cost-benefit we could get by going the rapid employment model.

Judith Gueron will probably comment, but the cost-benefit from our program from a Government perspective is \$2.84 for each dollar expended. This is an outrageous profit-making program, and I will probably be fired as a bureaucrat for doing it.

What we found, besides what Judith has found—some of it duplicates her work—we experimented on caseload size because that relates to cost. We had counselor caseloads that were twice that of others, and we found that the ones with the higher caseloads were most cost-beneficial. We found that long-term recipients, contrary to belief nationwide, do not require lengthy and costly programs to enter employment. We found that a high unemployment rate does not inhibit job placements. We found that we can be successful across ethnic groups. We found that keeping costs down enables us to serve more clients. We found also that a higher level of success is achieved with the single-parent family than with the two-parent families, from the experiment to the control group.

We do not profess that Riverside County's system will end welfare, but it can make somewhat of a difference. We have 3.5 percent of the welfare recipients in the State, and we have gotten about 19 percent of all the job placements in the State.

We have increased significantly the number of our clients who are earning income, but yet are not off welfare, and also we have made about a 5 or 6 percent increase in those emancipated totally from welfare.

We think we could get more results, but we have a 15-hour work exception, a State provision, and Governor Wilson is introducing legislation to end that.

We have shortened the average length of welfare stay from 23.5 months to 18.5 months. That has cost implications that I think are significant.

I will try to move fast at this point. We have gotten results primarily by using something called "philosophy and ideology" internally within the department. We have promoted the philosophy that work is inherently good for individuals, and that each day in employment is a jolly good day, and that employment enables welfare recipients to discover the pride in earning their own support, discover unexpected, maybe even amazing, skills and abilities to be better role models for their children and have hope for a better future.

We believe that most welfare recipients do want to work and are basically good, capable people, and that work is a gradual socialization process. It is not an immediate thing. You are not going to get a "magic bullet" job that is going to last forever and ever.

We have concentrated on three major factors. We have done a lot of things, but we think three factors are really important to the running of the program. First, we insist on employment. I have instituted performance standards and goals. Each counselor is expected to get 12 job placements per month if he or she wants to stay employed, on average. They can have vacation, they can have sick leave, but they have got to have some good months. And my staff have decided to shame me—some have gotten up to 40 job placements a month, and we have counselors who get more job placements in a year than medium-size counties in California.

We insist on mandatory participation. We beg, plead, send out letters, and make phone calls to try to get them to come to the first orientation so we can at least talk to them. If they do not come after about 30 days, we will sanction them. We initiate about 3,000 a year, and about half of those, we have to sanction; the rest, we got what we wanted, which was a change in behavior and coming into the program. In fact, some of our most valuable supporters are ones that we did sanction, who did turn around and did come in and probably sing our praise the most and probably had some of the greatest value. I remember as a child, I tested limits, too.

We have full-time job recruiters. We have infiltrated chambers of commerce, rotary clubs, and we become part of the community. When they have a problem, our GAIN program is there for them. We are partners with business. We think the business community is our customer, and our clients are our product, and we believe that AFDC recipients are very good products and can contribute to our economy.

Thank you.

The CHAIRMAN. Thank you, Mr. Townsend.

[The prepared statement of Mr. Townsend may be found in the appendix.]

The CHAIRMAN. Dr. Gueron?

Ms. GUERON. Good morning, Senator Kassebaum.

I appreciate the opportunity to appear before you today, and my remarks will focus on why welfare-to-work mandates have been at the center of reform efforts for the last 30 years and why they will be critical to the success of reforms under discussion in 1995 and beyond.

AFDC was created in 1935, explicitly to help a group of single mothers, primarily widows, stay out of the labor force and take

care of their children. The goal was to reduce poverty, and the possibility of long-term welfare for this group was accepted.

But since then, much has changed. Women have flooded the labor market, and mothers on welfare are now mainly unmarried. Providing long-term support for this group is clearly less popular.

The public wants change, but it also wants change to satisfy two conflicting goals—providing a safety net under children and requiring that their parents work.

The problem in doing and meeting both of these goals is that parents and their children are a tied sale—you cannot help one without helping the other—and thus it is hard to get tough on parents and yet continue to provide a safety net for their children.

Starting in the late 1960's and in 1988, with the creation of the JOBS program, Congress and the States crafted a new basic compromise in an effort to reconcile these two goals. The compromise said that welfare should be transformed from a means-tested entitlement—if you were poor, you got money—to a program where families would continue to get support, but only if they took steps toward working and participated in some work-directed activity.

Affecting this transformation from an entitlement to a work condition benefit has not been easy. Nonetheless there is an unusually reliable record showing that change can be successfully implemented and that programs that do this, when JOBS is successfully implemented, can be a fourfold winner. It can help to meet society's two goals that I mentioned earlier—getting more money to children and substituting for work-for-welfare for their parents—generating budget savings and making welfare more consistent with public values. In this area, we act on knowledge, not hope.

The best evidence comes from the recently completed evaluation of California's JOBS program called GAIN, and at its most successful, as Commissioner Townsend has said, in Riverside County, GAIN produced a 50 percent increase in earnings and a 15 percent decline in welfare dollars, returning taxpayers almost \$3 for every \$1 spent on the program. Throughout the State, the success was about half that level.

Riverside's program was distinguished from other counties in the State by a few features—its pervasive emphasis on people getting a job quickly; its strong reliance on job clubs, but its substantial use of basic education; its tough enforcement of a participation requirement; its close links to the private sector, and its cost-conscious and outcome-focused management style.

In my view of welfare programs throughout the country, we are communicating a new, tough, work-focused message and matching the results of the top performers. The public would have a very different view of the welfare system and might think that reformers were finally getting serious.

Studies suggest that different JOBS approaches can achieve different results. Job clubs can get people into employment quickly and save taxpayers money, but they do not seem to improve job quality, and they often have had limited success with the most disadvantaged. Adding some skills training to the mix can cost taxpayers more, but can lead to some better jobs for some people and may make a greater long-term difference in earnings.

Programs that favor quick employment but also include some human capital development activities—in other words, a mix—can combine the benefits of both strategies.

As for mandatory work-for-benefit programs, sometimes called workfare, in strictly budgetary terms, those do not appear to save money, and they have almost often been small-scale. However, they do provide a means to provide a safety net under children, while sending a pro-work signal to parents and producing socially useful work. To save child care costs, States have often limited the work hours in such programs, and that will be an important thing to think about this year if participation requirements with very extensive hours are part of the mix.

Now, bringing the JOBS system nationwide up to the standard of high-performance programs can respond to the public's interest in changing the nature of welfare and, I would argue, is a vital prerequisite to making a time limit either with mandatory work at the end or with simply all support ending, making that kind of a program feasible or affordable.

This is because from a State perspective, the risk of time limits will be high unless more people leave welfare before reaching the time limit. If that does not happen, too many people will "hit the cliff," if you will, and either require subsidized work, which will cost the public more than welfare, or face a dramatic loss of income, with unknown effects on families, children, and ultimately public budgets and political support.

But Federal and State actions are needed for JOBS to reach its potential. To make a mandate real, JOBS needs more up-front resources. Yet, despite broad-based enthusiasm for work programs, JOBS is at risk of cutbacks. This could occur if States under block grants have to pay for AFDC benefits and work programs out of the same fixed pot of resources.

The second need is to make programs more effective. The Federal Government has a clear role in providing our decentralized welfare system with reliable evidence on how to improve program performance, and some of that can come from evidence of the different State experiments. But the States have a clear challenge of changing practice in ways that make a reality of the program's potential.

Two final points. Efforts to reform must confront the limited work potential of some welfare recipients. While most can work, some cannot—or can, but only with close supervision, in extensive supervised work settings. This will constrain efforts to get very high rates of participation in work-related activities or workfare positions and will be a major issue for administrators implementing time-limited approaches.

A concluding word about the welfare reform debate itself. I would argue that it will be critical not to overpromise about the likely success of reform. Helping the public understand what level of change is attainable might break the cycle of cynicism that has resulted from past waves of welfare reform.

Thank you.

[The prepared statement of Ms. Gueron may be found in the appendix.]

The CHAIRMAN. Thank you very much, Dr. Gueron. I appreciate all three of you coming to testify before the committee. Just be-

cause I am the only one left does not mean that there is not a high level of interest. It is just that unfortunately, as you know, the Senate gets divided into 50 different directions, and there is a major debate on the constitutional amendment to balance the budget on the floor right now.

I would like to ask some questions that any of the three of you might wish to respond to, I will first ask you, Commissioner Waldman, about flexibility. Did I understand you to say that you sign a contract with the participant, and it may be something designed specifically for the locality of that person? Do you take it to that level of flexibility?

Mr. WALDMAN. Yes, I did say that. Our first effort—and we are still doing it—is based on an individual written plan. And as we are a county-administered system, the county caseworker then would make an assessment with the client whom we are serving to see what the needs are, what the opportunities are in that local part of the economy, and write up an agreement that would specify what economic development activity the client would participate in, be it some training, be it immediate job placement or participation in the club. It would also guarantee and promise whatever support services are necessary, including child care or any job training or preparation.

The CHAIRMAN. So, the caseworker becomes very important to the process.

Mr. WALDMAN. Yes.

The CHAIRMAN. I find that this is something that is all too often overlooked. It seems that today we are not encouraging the enhancement of the profession of social work. The social worker, who has an enormous caseload, really cannot take the time to give that individual attention. So I am pleased. I think both you and Commissioner Townsend have said it has to be more focused on the flexibility, and particularly with regard to having the job training tied to the local community.

I think where it is successful, as Dr. Gueron also mentioned, you really have to include the business community. Far too often, with some of the job training programs I have visited, the job is not there at the end of the line. There has not been training that has really been targeted to what is available in the local employment market.

I was struck, Commissioner Townsend, when you said high unemployment does not inhibit placement. Is that right?

Mr. TOWNSEND. Within the range that we have not only incurred during the study, but following the study we were up to a high of 15.7 percent, and I gave my staff a bonus of expecting 10 percent more job placements, so they would not let defeatism set in. And they almost achieved the 10 percent increase.

The CHAIRMAN. But wouldn't all three of you agree that what is terribly important—and evidently, what you are operating—is a very structured program, where there are tough requirements about participating?

Mr. TOWNSEND. That is right.

The CHAIRMAN. And the programs that have been successful have those tough requirements. Is it mandatory that everybody attend in your area, Mr. Townsend?

Mr. TOWNSEND. That is true, or we will sanction. We feel that if they do not cooperate, they have chosen to sanction themselves.

The CHAIRMAN. And how long is the program? Is it designed to meet different needs of the participant?

Mr. TOWNSEND. We have an individual plan for each person, and we do sign a contract. We have an employment objective for each one, and the counselor goes over that with them. Our program is separated from the eligibility process. So we do take the time to work with them on their needs, what they would like to do, go into the decisionmaking process, and then for them to take only those steps necessary to get employment; we do not go further than that.

The CHAIRMAN. How long is placement?

Mr. TOWNSEND. Well, I guess some of it has not ended, so that is a hard question to answer.

The CHAIRMAN. I know, but the reason I am asking is that for some programs, they count placement success as maybe 20 hours of work. I just did not know if you figured it that way.

Mr. TOWNSEND. If an individual in the State of California gets a job of 15 hours or more, he is exempt from the GAIN program. We cannot force them to a higher level—which we are planning to change by legislation in the next month.

So we have people who get part-time jobs, we have people who get full-time jobs, but they are not going to be self-sufficient until we move them up in the working hours so that they can fully support themselves and their families.

The CHAIRMAN. What I meant was do they take a job for a short period of time and drop back out again.

Mr. TOWNSEND. We do have recidivism. We do have people who come back. But I am willing to bet there are people in this room who have had children and all the benefits of society, and at age 21, 22, 23, they are coming back into the home after little failure experiences, and welfare recipients do the same thing. So let us not expect more of them.

The CHAIRMAN. But you have not seen that as a pattern necessarily, that you go back through different job programs.

Mr. TOWNSEND. Well, we find that some of them get their own new jobs all by themselves. We teach them the skill of finding a job and securing the job and interviewing without further employment assistance. Some require more hand-holding and building up their attitudes and confidence to go back out there and to it again, but we go over the lesson with them and ask what did you really do on the job that caused you to lose the job, and what were the problems there. We talk to the employer and then try to drive the moral of the story home. So it is a learning process.

The CHAIRMAN. Mr. Waldman, I would like to ask you about New Jersey's Medicaid initiative with the 2-year extension. Have you had a chance yet to get enough data to know if that has been beneficial?

Mr. WALDMAN. We have not concluded our research. We have a research project going on right now that involves our State university, Rutgers University, and the Kaiser Foundation, that is looking at the broad impacts of our family development program.

The CHAIRMAN. Was that put in place at the same time as the family cap?

Mr. WALDMAN. Yes. It will look at the family cap as well. It is focused on the outcome of the family cap, but more importantly on the outcome of some of the other efforts. Our view is that you cannot look at the family cap without looking at the rest of the program, because they are intertwined.

With regard to length of stay or recidivism, I should mention one thing that we are doing on an experimental basis that is interesting. There are some companies now that will contract with States on the basis that they will only pay them for their work in placing people in private jobs, if in fact someone gets a job and keeps that job for 7, 8, or 9 months, and there is a flat payment. We are going to do an experiment in a small way in one of our counties to see how that comes out.

Earlier experience indicates, at least in our State, that sometimes, if you focus exclusively on just job placement that sometimes you get people in service jobs that are of short duration, with no benefits, and often you get them back. But then again, there is a positive experience and learning and growth from that. So we think there is a balance—I think Dr. Gueron mentioned it—in investing both in jobs placement and a little bit of remedial skills and education and preparation for the labor market.

The CHAIRMAN. It does take a mix of things. I think that is what we heard from the first panel. Many have said that you cannot just talk about one or another aspect of welfare reform in isolation—that what works most successfully will be a coordinated effort. What has troubled me in the job training programs that have been the subject of earlier Labor Committee hearings—and maybe, Dr. Gueron, you could comment on this—and my frustration, frankly, is seeing a number of job training programs that really are not preparing individuals for employment. There does not appear to be enough focus on the end of the line—a job. Often there is just a reworking of ground that others are doing as well, and a lack of coordination between the service delivery people—employment service centers, the business community, and the jobs that exist in the community.

Don't we have to try to do a better job of paring this down, redefining, and trying to bring a little coherence to the numerous job training efforts?

Ms. GUERON. In the context of a mandatory welfare employment program, it is a little different than the voluntary job training system. In these programs, people have to participate, and there is a different set of incentives going on.

I think what we have learned is that a range of services can be effective, that job clubs per se, structured—a job club is not just that you go out and look for a job, and come back, and tell me if you have seen anyone—it is a structured process to teach someone how they can sell themselves and how they can contact employers and to make them aware that there are jobs out there and how they can make that connection.

I think one of the reasons that Riverside has parlayed job clubs into such successful programs is the combination of a strong job club and a job developer who works with the private sector and gives their staff a greater sensitivity of what private sector needs are.

The actual job training programs, there is less evidence of their success with welfare recipients, although some of the California counties—I am thinking particularly of Alameda County—that used job training more intensively did seem to be able to increase wages for some of the more employable welfare recipients.

The CHAIRMAN. Is the jobs club a similar to what we used to think of as the employment service?

Ms. GUERON. But more structured.

Mr. TOWNSEND. There is far more process there.

Ms. GUERON. It is a more structured process where people have to attend a certain number of hours a week, where they are taught interviewing skills, where they work with telephone banks. It is very a structured attempt to explain to people how to get a job. And as Commissioner Townsend has said, the hope is that people will be able to then do their own directed job search and use those skills in the future if they lose the first job. With welfare recipients, the first job is not the ultimate job for many, and you have got to both get people into jobs, help keep them in those jobs, and have them be able to locate a future job if they lose the first one.

The CHAIRMAN. During that time, are you working in close coordination with the county social worker or the caseworker of people who are participating in the JOBS program? Is it mandated that if you are receiving AFDC, you have to participate?

Ms. GUERON. Right.

Mr. TOWNSEND. If you are eligible to be registered for the program. If you have a child under age 3, you are not referred; you may volunteer. But you are required at that point to come to the program.

The CHAIRMAN. You work closely with the person who is handling the case, I assume?

Mr. TOWNSEND. Yes. We insist on almost daily contact, as long as they are in the GAIN program, until they are employed.

You asked a question earlier, and I think I failed to give you a proper response. We have been doing 100 percent tracking of individuals who have gotten job placements through the program, and we are trying to run it up to 24 months because of the 2-year discussions. And we are at 23 months now with our tracking system, and we have 63 percent retention on the 23rd month.

The CHAIRMAN. That is very good.

Mr. TOWNSEND. So it makes some difference, but it is not perfect.

The CHAIRMAN. Well, that is really what I want to know—for how long a period of time have you kept track of the placement and employment of participants?

Mr. TOWNSEND. In one more month, we will have 24 months.

The CHAIRMAN. Just one final question, on the jobs club concept. Is it a little bit like the one-stop shop concept that Secretary Reich has talked about—with one place where a person will know to go for good advice on either the job training program they should get into as well as employment placement services—a whole range of services in one place, so that people can then be referred to other assistance? Right now, it seems to me that in so many communities, there are many different offices to which you are referred, and there is never any one place where you can feel comfortable that you are not falling through a crack somewhere.

Ms. GUERON. Well, remember with welfare recipients—if it works, if the JOBS program in fact is implemented as a mandatory participation requirement, which in many places it is not, but if it is—there is a worker within the welfare system or the JOBS program who in fact is the manager of that caseload and is monitoring somebody's ongoing participation and making referrals and contacting and determining whether someone is participating. They could be participating in a jobs club run within the welfare office, or a skills training program operated within the context of JTPA, or a community college program, or a basic education program in some school system. But the caseworker is the vehicle to monitor participation, and in the case of welfare, to reduce grants if someone is not participating.

The CHAIRMAN. Well, that is what I meant—a single place where the participant can be assessed and can receive some recommendations about the most appropriate program available and other assistance to help them.

Ms. GUERON. That is right.

Mr. TOWNSEND. I would like to say that I have observed a few programs across the country, in speaking engagements and discussions, and there seems to be some over-interest in focusing on training as the objective, focusing on extended education as the objective, to the detriment of job placements. If you push all the components up front, then you lose sight of your goal.

What we are doing in our county is we intervene and provide resources if it is needed to get a job. If they are able to get a job through the work test of job search, then they do not need any other services. We only deal with the residual. If your car does not start, are you going to repaint the car, put new tires on it and a new engine? No. You will probably just get the minimum, the tune-up, so that the engine will run. So why do we do something different with our customers here?

The CHAIRMAN. I think that is the way it should be, frankly. This is why we cannot really micromanage all that well from here. I believe Congress is really trying to find the right mix of flexibility for the States and Federal guidelines.

I very much appreciate all three of you participating today. The Senate is just beginning the debate on welfare reform. This testimony is extremely useful in trying to help us put together, I hope, the right mix. But as you pointed out, Dr. Gueron, we have been trying to do this over a number of years, and the times are different. I think that maybe we do not take that into account.

Thank you all very much.

It is a pleasure to introduce the last panel. You may have thought we were never going to get to you, given all of the difficulties this morning. We very much appreciate your patience in waiting.

First, I would like to introduce Gladys Marisette, from Topeka, KS. She is an administrative assistant at Western Resources Utility, and she was formerly employed at Social and Rehabilitation Services, where her duties included informing the public of available job search programs and working with SRS personnel and clients. Ms. Marisette also is a former welfare recipient.

Next is Janet Schalansky, who was named the acting secretary for the Kansas Department of Social and Rehabilitative Services in January. In this capacity, Ms. Schalansky oversees a \$1.6 billion budget that provides social services to more than 520,000 Kansans. Her service with the Department of Social and Rehabilitative Service began 20 years ago. I know Mrs. Schalansky from her work in Wichita, as well as in her current capacity as Acting Secretary of the whole Kansas program. She has been outstanding and is regarded as someone very knowledgeable on the many programs administered by SRS. I appreciate your being here.

We also very much appreciate Ms. Sarah Shuptrine being here. Ms. Shuptrine is president of Sarah Shuptrine and Associates, a public policy research firm based in Columbia, SC. Much of the firm's work is devoted to making programs work more efficiently for the people that they are supposed to serve. Ms. Shuptrine also is president and founder of the Southern Institute on Children and Families. This organization is dedicated to improving health, economic and educational opportunities for children and families in Southern States. She brings a great deal of knowledge and expertise to this subject.

It is a pleasure to welcome all three of you. Ms. Marisette, do you wish to start first?

STATEMENTS OF GLADYS MARISETTE, TOPEKA, KS; JANET SCHALANSKY, ACTING SECRETARY, KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES; AND SARAH SHUPTRINE, SARAH SHUPTRINE AND ASSOCIATES, COLUMBIA, SC

Ms. MARISETTE. Yes. First of all, thank you for inviting me to be here this morning.

It is not an understatement that the welfare system as we see it today is in dire need of repair. We hear too often the stories of how billions of tax dollars are being wasted fraudulently by numerous welfare recipients. But do we simply get rid of the program, or do we come up with some ways to reevaluate and find some alternative solutions that will make social services work?

Yes, welfare as we see it is in need of reform, as everyone is talking about. However, can we simply take away something that is so vital to those who truly need it? We must realize that there is no ironclad way of supervising a problem-free assistance program. Welfare needs to be reformed in such a way that a win-win situation is created for all parties concerned—recipient, taxpayers, and Government.

On an average, the opinion of the recipient is why should I work? The State provides adequate funding and excellent benefit packages, so it all comes down to the packaging of this product.

What do we have to offer the individual? We need to develop and implement a plan that will empower those who are able to work to get back out into the work force again. Under the current system, we have nothing to offer the individual. If you look at what is available to the unskilled laborer, minimum wage does not sound all that great to a family with children who need medical care as well as foodstamps. There needs to be something more attractive to the eye to entice the individual.

If the Government would match on a dollar-for-dollar basis what the employers are offering, and continue the medical plan for at least a year, it would allow most individuals an opportunity to become self-sufficient.

Most people do not realize the impact that welfare has on its clients. If you stop and look at the organization as a whole, you stop and think about what welfare means to most people, you somehow visualize the person in the grocery store with several children and a basket full of groceries. You also reflect on the fact that you are stuck in line behind this individual, and the fact that she is using foodstamps. Now, this automatically gives you an opinion, either positive or negative, depending on what is in the basket. And you say to yourself, "These are my valuable tax dollars that I am spending to support such a cause." This is the average opinion of society when they encounter an individual or recipient of State funding.

However, it is a very sad display of the picture that has been painted regarding such a wonderful cause. Have we totally lost sight of what welfare is for? Stop and think about it. There are children who are able to eat because of your tax dollars. There are parents who are able to go to work because of transportation allowances and having the security of dependable child care provided by the State. This will enable them to eventually become self-sufficient. How wonderful that is.

Have we grown so cold as a society that this is no longer of any importance? I am not here to paint a pretty picture of social and rehabilitative services. I am here because I know of the opportunities that lie within this organization. I know of the struggles that many clients face, and I have seen first-hand the day-to-day situations that take place. I can honestly say that the organization as a whole is much more than foster care, medical care, much more than child care or transportation allowances.

For those of you who view welfare as simply a monthly check and foodstamps, I can honestly say you have drawn the wrong conclusion. Welfare is about people, working with the community to provide adequate services and to aid the community where needed.

We, the fortunate ones, should do everything in our power to see that this commitment to service is accomplished. We need to replace the vision in the clients of success and work with the clients to make their visions become a reality.

At this time, I would like to share with you my encounter of SRS, and when I am finished, I hope you will understand why I get so excited about the success stories of clients changing their perspectives and taking charge of their lives.

Several years ago, my family and I moved to Topeka, into an area that I would call very poverty-stricken and gang-related. There was nothing about the environment that I was around that was pleasing to me. It was during that time that I fell into the system where I needed some assistance from the State.

At that time, there was a program that I was introduced to, called KanWork. I remember listening to the KanWorker, and he gave me tons and tons of information and informed me about how I could become self-sufficient, how I could take those plans and goals that I had and make them become a reality.

You actually have to be involved in this type of a situation or crisis to understand the mental anguish and feelings of hopelessness one faces. As I continued to listen to him attempting to paint me a pretty picture of what could be possible, I began to see a touch of hope for my life, a possibility for change.

You must realize no one plans to be broke, no one plans to be without food or transportation or the finer things in life that a lot of us take for granted. I recall my biggest concern was my children, and when he spoke of the child care provisions that the State would allow, I was immediately sold on the concept that I could accomplish anything.

What most people do not understand is the fact that young mothers do not want to leave their children, but with the assurance that their safety and well-being is taken into consideration, they become more receptive to change.

I was then given information about another program offered through JTPA called the OTAP program, Office Training and Assistance. From that point on, somehow, my life seemed to change. I remember how excited and nervous I was all at once. I remember beginning in the program and being able to go to school and not having to worry about not having the money to finance it, which was really a dream that I had initially had.

Throughout the duration of my schooling, my KanWorker and the KanWork staff continued to work with me. They provided transportation allowances and child care. When I finally got to the point where the instructors felt like I had established the credentials for success, I was slowly but surely sent out into the community to seek my profession.

As I look back today, I think of how truly blessed I was to have such a wonderful opportunity. I know that I am successful not only because of my perseverance, or because I feel I am better than anyone else, but simply because someone cared enough about me to give me all the information on what social and rehabilitative services was all about.

With that in mind, regardless of whatever reform package is selected, or whatever decisions are made at the Federal level, we need to take into consideration the necessities for human survival. I, like many other mothers, was not willing to lose my children's health benefits at the risk of accepting a few extra dollars with no health insurance. Call me a statistic if you must, but I am proud to be here before you and give support to such a wonderful cause.

Thank you.

The CHAIRMAN. Thank you very much, Ms. Marisette.

[The prepared statement of Ms. Marisette may be found in the appendix.]

The CHAIRMAN. Ms. Schalansky?

Ms. SCHALANSKY. Thank you, Senator Kassebaum, and thank you for the opportunity to speak before you today about the impact of welfare reform on children and families.

The Kansas Department of Social and Rehabilitation Services, SRS, is actively seeking to reform the way we serve children and families in need and appreciates the chance to tell you about our welfare reform proposal.

Before SRS began drafting its welfare reform proposal, we took a long, hard look at the current system and the way we were doing business. To see the complete picture, we asked the opinions and suggestions of those who know the system best. We talked to recipients. Through a series of public hearings across the State, we talked to hundreds of recipients—grandmothers raising their children's children; a young father just laid off from his job as a carpet layer who, with his family, including a feverish toddler, was living in a car in the heat of the Kansas summer; teen mothers struggling to find safe, affordable child care and reliable transportation so that they could return to work, find a job, and live without the help of the State welfare system.

These and many others were representative of the 87,600 Kansans who rely on social services each month. Of those recipients, nearly 60,000 are children.

We met with community leaders and State legislators to ask for their help in locating community resources. And in response to Senator Harkin's comment this morning, we also met with a consortium of States in our region—Nebraska, Iowa, Missouri—to look at what they were doing in their States. We listened to helping agencies tell us what needs could not be met as they delivered the myriad of community services needed by low-income families. And we asked our staff, field staff and policy staff, for the benefit of their experience working with low-income families.

We talked to staff members who must tell a single unemployed mother that because she owns a 1988 car valued at \$2,000, her family is not eligible for AFDC. We talked to staff members who must deny benefits to a family because their child is saving the money he earns from his paper route so he can get training beyond high school—a value that most of us do with our families, teaching them to save. Current policy requires us to count that money as a family resource and may make the family ineligible for assistance.

Several themes surfaced during this introspective look at our assistance programs. We found many of our policies that governed eligibility did not support the SRS mission, that of enabling and empowering families. Inconsistencies between programs made it difficult for staff to determine eligibility and were perceived by the public and recipients as unfair, bureaucratic, and illogical.

We also confirmed a number of myths surrounding the welfare system and the people who depend upon it for support. In contrast to popular public opinion, the average Kansas family receiving AFDC payments is a single parent, usually a mother, with two children. The average Kansas family has more children than welfare recipients—1.8 children for the welfare family and 1.8 for the nonwelfare family. This family could receive a maximum cash assistance grant of \$403 per month and up to \$292 in foodstamps, for a total of \$695 a month, which is well below the Federal poverty level of \$1,049 per family of three. This amount increases by only \$60 a month, or \$15 a week, for each additional member of the household. This ran contradictory to the myth that welfare families continue to have children for extra money.

The current policies, pieced together over the years by the State and the Federal Governments, have created a patchwork system that 1) makes a person ineligible for cash assistance if they accept

a minimum wage job although there is no medical insurance for the employee or their children—and you heard Gladys talk about how important that was to her in her situation. It expects people to go to work, but then takes away \$1 in benefits for every \$1 earned after allowing for \$90 in work expense, making it difficult if not impossible for the family to get ahead.

It pays in our State \$300 to \$400 a month to families who care for foster children in their homes, while the child's portion of the AFDC grant, which helps keep family together in their own home, is less than \$150 a month.

It requires recipients to cooperate with child support enforcement to receive AFDC, but is not required for foodstamps or Medicaid.

It denies the State the ability to make AFDC and foodstamp policies, such as work-related requirements, uniform to simplify administration.

We used this information we gathered from recipients, from staff, from service providers and the public, to frame our welfare reform proposal that we entitled, "Actively Creating Tomorrow for Kansas Children and Families," or ACT. Keeping in mind what we learned, we proposed changes that would reward and encourage employment, promote personal and parental responsibility, and simplify program administration.

The reform changes in our welfare system will affect families receiving AFDC, the JOBS program—in our State, we call it Employment Preparation Services, or KanWork—it will affect the foodstamp program, Medicaid, and child support enforcement.

The 1994 Kansas legislature studied welfare reform, made some modifications to the original proposals, and passed legislation that allows SRS to seek waiver approval for those components that need to be addressed at the Federal level.

The result was a proactive package that went beyond the traditional focus of welfare reform. With its 36 pending waivers, the Kansas welfare reform proposal has been called one of the most complex and comprehensive packages to date. We did submit that waiver in July of last year and are still waiting for response.

The CHAIRMAN. You should talk to Senator Harkin.

Ms. SCHALANSKY. That is right.

The Kansas proposal will be cost-neutral over 5 years and includes an aggressive evaluation component that will collect data during those 5 years. The final evaluation is due 1 year after completion of the project.

By consolidating program eligibility requirements and making them consistent among the programs, we believe that we place the cornerstone of a new system of support that strengthens Kansas families and enables them to be self-sufficient.

This process has not been easy, nor will it be. If we are to live up to our mission of strengthening Kansas families by helping them become self-sufficient, then we must change the way we do business.

Approval of all welfare reform waiver elements will require a spirit of collaboration among all Federal agencies and the State. With the help and support of Federal agencies such as the Administration for Children and Families, we hope to begin training staff and implementing the changes soon.

But change is often difficult. As economist John Maynard Keynes once noted, "the difficulty is not so much in developing new ideas as in escaping from the old ones." To do this, we must develop a shared picture of the future that fosters genuine commitment and involvement rather than compliance.

This vision of providing a safety net for children and their parents needs to be developed cooperatively at the local, State and Federal levels.

We are facing tremendous challenges and exciting opportunities to make meaningful reform within the welfare system, change that will make the system more efficient and effective, will guarantee that benefits are available to those who need it, and third, to reduce the public's stigma of needing a helping hand.

I would also interject here that I do not think we can talk about welfare reform if we do not look at some of the causes. And I think as we try to build into our program, we must look in all of our programs at prevention, preventing teen pregnancy, keeping children in school and preventing dropouts. We must look at ways to maximize child support. We must look at ways to avoid the problems that come from alcohol and drug abuse that result not only in children with problems, who have trouble staying in school and end up needing assistance, but also what it does to the breakup of the American family.

On behalf of the State of Kansas, I thank the committee and Senator Kassebaum for your interest.

The CHAIRMAN. Thank you very much.

[The prepared statement of Ms. Schalansky may be found in the appendix.]

The CHAIRMAN. Ms. Shuptrine?

Ms. SHUPTRINE. Thank you very much for asking me to appear today. I appreciate the opportunity to share with you some information we received in a study conducted by the Southern Institute on Children and Families in two Southern States.

In Tennessee and North Carolina, we interviewed 69 recipients for about 30 minutes each—not focus groups—actual, individual interviews, structured interviews, to find out what they thought about the welfare system, because we felt it was their voices that needed to be heard in this debate.

We also convened community discussion sessions with people like employers, JOBS workers, DSS eligibility workers, housing, and others, to try to get their views on the subject.

Our findings clearly indicate that the high cost of child care and the inability to pay for health coverage are clear impediments to leaving welfare.

If we want families who can work to actually leave welfare for work, we have to understand the dynamics of that decision. The dilemma is that even though the cash assistance through AFDC and the foodstamp program fail to lift them out of poverty, they simply cannot afford the additional cost that it costs to go to work—particularly child care.

The study found that Medicaid is a major factor for these families, but it identified child care as the benefit recipients ranked first in importance to their ability to go to work full-time. Lack of

transportation was also identified as a barrier for families who want to work.

A study of recipients provided evidence that minimum wage jobs are not going to do much to draw people off of welfare. We asked the recipients a series of three questions regarding minimum wage jobs and various health benefit options. We asked them first about the likelihood that they would accept a job, whether it was likely, not likely, or very likely that they would accept a job that paid a minimum wage of \$4.25, which is about \$8,800 a year, if that job did not have benefits for them and their children. Eighty percent of them said that they could not accept that job.

We asked them then would they accept the job if it provided benefits for them, but not for their children. Fifty-five percent still said that they could not accept that job.

When we asked if they would accept the minimum wage job if it had benefits for them and for their children, only 17 percent said that they would not accept that job.

Recipients were also asked how to improve the welfare system so that it better supports a parent's decision to go to work. It should be noted that most of the recipients that we talked with had been on AFDC two or three times, cycling back on and off, so they were a very knowledgeable group of people. The most often-cited suggestion was that benefits should be gradually reduced to give families a better chance to get off and, very importantly, to stay off of welfare. Sixty-eight percent made that suggestion. Forty-three percent suggested job training, job placement, and other kinds of supportive services were needed.

Over and over again, we heard from the recipients that they feel that they lose everything if they leave welfare. One recipient said, "When you work, they take everything away. The more you try to do on your own, the more they hold you back."

Another said, "I could keep a job if I had child care for my children."

Another said, "Help me out. I am trying. Medicaid is the biggest thing, especially if you have small children."

During the community discussion sessions, the importance of not withdrawing all assistance when the recipient goes to work full-time was underscored. One person said once they get a job, it is hard to meet basic needs. Day care takes a big chunk out of their salaries. They want good day care like the rest of us, for peace of mind.

Another said it is not uncommon to have women quit working when they know they are going to lose Medicaid for themselves and their children. If insurance is available, they cannot afford it for the whole family. They see it as an insurmountable obstacle.

And another summed it up this way: "People are dependent on the welfare system because a minimum wage job will not take care of child care and health care needs."

Self-esteem turned out to be a potentially significant factor in helping recipients to move from welfare to work. It was reported that it was not uncommon for recipients to receive little or no support from their family and friends when they take actions to become self-sufficient. And, since leaving welfare requires some measure of self-confidence, the likelihood that a single parent on welfare

will successfully move from welfare to work is far less likely if they have low self-esteem.

One of the most disturbing findings is that far too many of the recipients and many of the persons who work with them on a daily basis to help them get jobs do not understand the basic eligibility rules, particularly the Medicaid rules. Forty-one percent of the AFDC recipients did not know that it was possible for a parent to work full-time and still get Medicaid coverage for her children. Sixty-two percent did not know that children can be eligible for Medicaid even if their parents are married and living together.

We simply cannot afford to have people sitting on welfare because they do not understand that Medicaid changed in the mid-1980's and it is available to low-income working families, especially for their children.

We also found that a major contributing factor to the confusion about available benefits for low-income working families is the unnecessary complexity of the Federal eligibility rules that govern AFDC, Medicaid and foodstamps. The differing rules significantly complicate the messages that we give recipients.

Finally, we found that the slow pace at which many States have implemented the Family Support Act has resulted in impeding efforts by welfare recipients to leave welfare for work. In 1992, across the United States, States had matched only 66 percent of the available Federal funding for job training and other programs to help welfare recipients build skills and move off of welfare. It was reported to us that there were 6,000 people on a waiting list in Memphis, TN for the JOBS program and that they could not get into it because there were no slots available.

The report made a number of recommendations. I would like to review three of them with you. One is that State and Federal policymakers should enact policies to extend assistance to parents who have moved from welfare to work by making child care and health care coverage available on a sliding scale basis once transitional benefits have expired. Basing continued assistance on their ability to pay will provide some security for families who want to work, since it guards against their losing all assistance at once.

Two, aggressive information and outreach initiatives should be implemented to assure that recipients and those who work with them understand the benefits available to low-income working families, like Medicaid for children especially if they are under age 6, and the earned income tax credit.

Three, the President and Congress should work together to simplify the program rules across AFDC, Medicaid, and foodstamps. Many current Federal eligibility policies and rules foster dependency, they produce inefficiency, and they impede service integration. The Federal rules on allowed resources are an example of the disjointed and unrealistic policies which impede a family's ability to get off and stay off of welfare.

The differing rules which apply to the family car illustrate the family problem. In the AFDC program, you cannot have a car worth more than \$1,500 equity value. In the foodstamp program, you cannot have a car worth more than \$2,500 in market value. In the Medicaid program, depending on which group you come in, the car can probably be exempt, or it may come under a rule specifying

a specific amount. The foodstamp car can be exempt if it is used for worker training or transporting a disabled person. The Medicaid car can be exempt in certain circumstances. But the AFDC car cannot be exempt under any circumstances.

My question is why can we not talk about the same car in all of these programs, or better yet, why can't we just exempt the car?

The \$1,500 AFDC car is the result of Federal statutory language which requires the HHS Secretary to set the value of the car based on equity value; equity is in the statute. The \$4,550 foodstamp market value car is specified, amount and market value, in Federal statute.

Now, these kinds of regulations and rules make absolutely no sense to recipients. They know that without reliable transportation, families on welfare are much less likely to be able to become self-sufficient. This is especially true for families that live in rural areas where distance represents barriers to opportunity.

Giving States greater flexibility can be achieved within the entitlement structure. It can be done by making statutory changes that substitute broad, outcome-oriented policies for the current, very prescriptive Federal rules.

Today's welfare debate provides the opportunity to make some changes that are desperately needed. But our leaders must resist—strongly resist—shortsighted and counterproductive actions. Truly reforming welfare will require that we bite the bullet and support families who want to work and who can work. It will not take the meat ax approach. Word will get around that things have changed, that there is help for families who want to get off of welfare and go to work. And the welfare rolls will shrink without our abdicating our responsibility to help those in need.

Thank you.

[The prepared statement of Ms. Shuptrine may be found in the appendix.]

The CHAIRMAN. Thank you very much, Ms. Shuptrine.

I would like to suggest that the three of you do not hesitate to question each other, or just respond whenever you wish, because the purpose of this panel was to try to understand the system from the perspective of the welfare recipient and to identify some of the red tape that exists in the system.

Ms. Schalansky, I would like to ask you first if the welfare picture in Kansas would look a lot different if the waivers, which have been pending for over a year, had been in place?

Ms. SCHALANSKY. Some of the things that we tried to do—and I think Ms. Shuptrine hit it on the head—our workers work very hard, and we have sanctions if our accuracy rate is not high. And she gave a very good example of what happens with the car. Several of our waivers try to have program simplification, so that foodstamps and Medicaid and cash assistance are similar. So that is one of the things that we try to do.

Also, our legislature put some time limits on the time that clients might participate in KanWork. We had recognition in our Kansas legislature—and I think it was Ms. Gueron who mentioned it earlier—that there are lots of different folks on welfare, but you can divide it into two groups. One includes those people who have some sort of disability. It may not be severe enough to have them eligible

for supplemental security or Social Security disability, but they are folks who have barriers to work. Those individuals, at least in the Kansas program, are exempted from work requirements. But for those who, through our assessment, we felt were able to work, our legislature put a 30-month time limit; after the 30th month, if they were not employed, then we could begin sanctioning, much as Senator Harkin mentioned this morning. I think that that is one of the things that our legislature is having difficulty understanding now, and that is one of the waivers that we are having difficulty getting approved. Although most of the proposals that you hear talk about a time limit, our issue to penalize after that period of time is one of the waivers that is holding up our waiver approval.

But we have tried to do several things among our 36 waivers, including to simplify the program requirements. The other thing is the earning disregard that also has been mentioned. In our State, after \$90, the client would then lose dollar for dollar. Our proposal is that they would save a portion of that until they got up to the Federal poverty level. Once they got to that, then they would start losing some benefits. But we feel that it would do much as she described; it would allow them to work. We would then give them a reducing benefit as their wages went up, until they got to the Federal poverty level, to try to help them get off. Many of our clients have not had a lot of work experience.

And another thing mentioned is that many of us got ahead because we had people who supported us. We had families that helped us make those first deposits on our utilities, or they helped us with an extra set of dishes or extra utilities. Many of our clients do not have those kinds of supports, or their families are not in positions to do that. So we think it is critical that we try to support the families as they work off assistance. We cannot drop them at the end, as the current rules require, and our waivers would allow us to extend medical for 24 months—and Gladys mentioned how critical that is to a mother with young children to keep that medical—and also to work with employers to see that they began providing that benefit, as well as to let them keep more of their money while they worked, until they got up to a level where they could support themselves.

The CHAIRMAN. Ms. Marisette, when you go down to sign up for assistance, are you immediately put into the KanWork program?

Ms. MARISETTE. No. They give you different information about the program. I found out about the program from someone else who was in the program, and so I asked for information regarding KanWork.

Ms. SCHALANSKY. Gladys, how old was your youngest child?

Ms. MARISETTE. My youngest child was 4.

Ms. SCHALANSKY. So she would have been mandatory. But we in Kansas would share a similar program in that we have some 7,000 Kansans on a waiting list for the JOBS program. So she very well may not have come up to the top of the list.

The CHAIRMAN. What is the requirement to enable you to get into the JOBS training?

Ms. SCHALANSKY. If the youngest child is 3 years old or older, they become mandatory, and they will be referred. Then we would assess them. But because of caseloads—at one time, our caseload

per worker was 250 to 300. We had some evaluations done of our KanWork programs that were not very successful. We then borrowed from our sister State, Missouri, and lowered our caseload. I think they in their Futures program have caseload of 35. Our legislature approved 75, but that resulted in some people waiting.

One of the things we want to do in our welfare reform is do what some have called a fast track, or a quick assessment. For those people—and Gladys would have been one of those—who did not really have a deficit in basic education, they do not have to sit on a waiting list, and we can move them more quickly through the system.

The CHAIRMAN. One of the things that I find frustrating is the paperwork that has dominated so much of the time of the caseworkers today, and all of the requirements that have to be met. It becomes much more of a paperwork responsibility than a personal involvement in the case.

Now, I am not a professional, but it seems to me that what we are missing in a lot of this is a reconnect, so that there is someone who is there to help the family, not just checking off a box, that you have done this or done that, or that you meet certain eligibility requirements. There should be an understanding of the family, their background, what their hopes are, and enough time to track the case and provide support and assistance.

I do not see how anybody can do it with a caseload of 100.

Ms. SCHALANSKY. And our caseworkers who do eligibility have caseloads of 250, 300; they still have those kinds of caseloads. Then we refer them over to KanWork, that can concentrate a little more.

Our application at one time for eligibility, for assistance, in order to get the requirements that we needed for Department of Agriculture and for AFDC and for Medicaid, was 20 pages. We now have it down to 13 as we have gone to our new computer system. But if you look at the number of ways that a family might be eligible for medical assistance, I think there are some 13 ways that you have to determine if the family fits that. But I think it is confusing for the clients to understand. They do not understand it. I know when I was in the local office, a doctor would call me, confused that this child was eligible, this child was not, based on when they were born and who their father might have been. They just do not understand it.

And there are a lot of misunderstandings, I think, as was brought out in some of the other testimony, about some things that are hindering clients, or barriers due to misinformation. But the system is way too complicated, and it seems like over the years, because of maybe some fraud or abuse in some places, we have put in another rule, and we have continued to add rule after rule, until we have made the program so burdensome that it is very hard to administer.

The CHAIRMAN. Ms. Shuptrine, in your study, do you find that this is a problem, that a caseworker is unable to really have close contact with the client? I mean, does that enter into the ability to be effective in working with the case?

Ms. SHUPTRINE. The recipients clearly are asking for more help. They are asking for someone to share information with them, they are asking for someone to assist them with all kinds of needs that they have in order to move into the work force.

One of the good things that came from our project is a follow-up project in North Carolina, where we are conducting focus groups with employers, with recipients, and with community organizations to get information to them on what benefits are available to families if they leave welfare for work. We are finding with the recipients who are attending those sessions that they simply are not aware; no one is telling them.

For example, a single mother with two children under the age of 6, because Medicaid eligibility levels are higher—they are at 133 percent of poverty, which is about \$16,500 for a family of three—this mother with two children under the age of 6 can earn up to twice the minimum wage, and her children are eligible for Medicaid. And the housing people do not know it, the JTPA people do not know it, the JOBS workers do not know it. And people are sitting around the tables with the light bulbs coming on, saying, "I did not know that. I thought that I lost everything. I did not know that. I thought you had to be on welfare to get Medicaid for your children."

This is a very important part of welfare reform. It is really important to enable them and to empower them to have the information.

Also, many of them are not aware of the earned income tax credit, and it oftentimes completely makes up for the loss of AFDC that they encounter when they leave welfare.

But the paperwork process is a tremendous problem for both the workers and the recipients. It confuses the process. It increases, strangely, because much of it is because of trying to cut down on errors—it increases the possibility for errors because of all the different segments and boxes that have been created. It is very much a problem that can be traced right back to Congress in that you have three committees in the House that are responsible for these issues, two in the Senate, two Federal departments, three agencies, and they expect the local level to get it right.

The CHAIRMAN. That is so true. It is as frustrating for many of us here as it is to you, and I hope we do not make it worse. I hope we can get it right.

Ms. SHUPTRINE. I think substituting some broad policies for these very prescriptive rules will just help tremendously. You will not need block grants—of course, a large reason for block grants is to cut funding, which you have heard this morning, that just about everybody is very concerned about losing entitlement. But you do not need block grants to give States flexibility.

If the Federal Government would draw back and decide that they are going to base these programs on the same basic philosophies and the same basic principles, and then allow the States to determine. For example, on the car, what the Federal Government needs to do is say that it needs to be reasonable and that it needs to support work. Let the States decide what they want to do. Many will decide to exempt it. Many will decide to do what they have done, like in Utah at \$8,000, and I think Iowa at \$3,000. They will make better decisions, but I believe they need some broad guidelines to have some continuity across the States.

The CHAIRMAN. You mentioned the sliding scale. Have any States tried that?

Ms. SHUPTRINE. No. You heard here this morning that in the State of Kansas, you are thinking about going one more year, and that is what most people are doing is going one more year. I think that is certainly better than what it is now, which is a year. But I really think what the public wants to do is to help people who want to help themselves, and what the recipients want to do is to be able to pay for their own needs as their income earns up. And that should mean there should be no cliffs. They should not get to a certain point after 2 years, and then zip, off falls the medical plan. I think it is not really factored into the evaluations of the GAIN program or other programs, and we really should not be surprised if people end up back on welfare because they have not earned enough to pay for the health care and the child care. So we have got to deal with that.

Ms. SCHALANSKY. I might say, Senator, on child care in Kansas, we have increased the amount of child care funds we had available almost threefold, from about \$9 million in 1990 to over \$30 million now. But what has happened is that the clients who are in the KanWork program, those who are on AFDC who are working and trying to go to school, become mandatory. We have had to use more of the State money to match that. And the clients, then, that we call the income-eligible or working poor, that group has tended to shrink in order for the State to use the money. And although the Kansas legislature has put in more money, we have not kept up. We had to do serious cost-cutting measures last year as we ran over budget. And we do that—as was voiced earlier today—we are funding those who are on assistance to a higher level and those who are in transition, but then the working poor—and that is oftentimes where the clients who graduate from KanWork end up, is in the working poor—that money has had to shrink or stay constant and has not grown. So that is really critical.

We do a sliding fee scale, but that pot of money has tended to shrink as the mandatory has increased.

The CHAIRMAN. Ms. Marisette, let me ask you, could your 4-year-old be enrolled in Head Start?

Ms. MARISETTE. Actually, at that time, no, because he had just turned 4 when I got into the program, so he could not have been a part of that program then.

The CHAIRMAN. He could not have been enrolled in Head Start?

Ms. MARISETTE. Not at the beginning; I mean, not when I had initially applied for KanWork, he could not. There is a certain time of year, and they have to be born a certain time within the year to get into the program. I could not have gotten him into the program at that time.

The CHAIRMAN. Do you mean Head Start is like kindergarten, where you have to be 5 by September? If you are not 4 by a certain time, you cannot get in? I thought that was a local decision. I thought the age had been lowered.

Ms. SCHALANSKY. I am not sure.

Ms. MARISETTE. Back then, I could not get him in.

The CHAIRMAN. Well, in last year's authorization where we lowered the age, largely because I think we were wanting to make sure Head Start could be there as a good early education program for children and their families.

Ms. MARISSETTE. My oldest daughter was in Head Start, but I could not get Kyle in.

The CHAIRMAN. Interesting. And so, did he receive child care support, while you were in the program?

Ms. MARISSETTE. Actually, I received child care for both, because my daughter then went to kindergarten. So I had child care for her after she got out of school and I had child care for my son while I went to school.

The CHAIRMAN. Let me ask you one last question. In so many instances, you see where a tragedy has occurred in a family—we have all seen these stories—and people will ask where the caseworker was and why these terrible conditions in the home were not reported. Is there just not much effort being made to do home visits anymore? Is there not time to do that? How important are home visits?

Ms. SCHALANSKY. We built that into our KanWork program, that they do home visits. We think it is very important, but I think several things happened. One, one of the most expensive parts, outside of child care, of the KanWork program is staff costs and transportation costs. And as our State has had demands put on its budget, those are among the things that have gone. We have had to reduce the money they have to travel. And then also, as their caseloads were high, they just frankly did not have the time.

When we looked at the Missouri program, we really liked what they had done with the Futures program with caseloads of 25 to 35. They did not have offices. The initial visit with their client was in a neutral location, and then they would go to the client's home. And that was a critical part as they described it for assessment, to find out who the significant others might be, how the home was operated, to get an idea of the skills, and to watch the individual interact with her children, or his children, as well as other people. I think that is very critical, but it is very expensive to do.

The CHAIRMAN. I certainly think it is critical. I will have to ask Senator Ashcroft just how much more this has cost Missouri. Is their whole AFDC population involved in the Futures program, or is it divided somewhat?

Ms. SCHALANSKY. They divided it, and I think the program that I have described several times this morning is the one they did in Kansas City with the lower caseload. The rest of their program would mirror more what we have had, but they found their results to be much higher. But often, as our State legislators look at our program, one of the concerns that we continue to try to help them understand is when they talk about KanWork not being a program about getting people to work, but a glorified child care program. We explain to them how critical that is, but it still becomes an issue for them as we look at the dollars spent.

The other thing is they look at it as a lot of dollars going into administrative costs and more State employees, which they do not like to see, rather than into client services. But it is hard to deliver those client services if you do not have the staff to do it.

The CHAIRMAN. But with all the job training programs that are out there, it would seem to me they should be doing that part of it—helping to facilitate funding for that aspect of it, which would hopefully not add to your State budget constraints.

Ms. SCHALANSKY. That is right. In fact, we spend very few of our dollars in comparison on job training, in that our workers are successful in helping clients apply for Pell Grants, using JTPA, using the community colleges and the vocational educational schools. So we pay very little tuition as we try to maximize the other resources.

The CHAIRMAN. Ms. Shuptrine, do you have any closing observations to make?

Ms. SHUPTRINE. My concern is that the rhetoric often does not match the reality in this whole debate about welfare reform. We reported on 6,000 people in Memphis, lined up, waiting for the JOBS program, and Ms. Schalansky had how many—

Ms. SCHALANSKY. About 6,000 in the State of Kansas.

Ms. SHUPTRINE. There are people who really think that the welfare population does not want to go to work, and they do not want job opportunities. The State, on the other hand, are sitting back, not implementing the Family Support Act which Congress passed in 1988, because they are concerned that they cannot implement it without backing up the child care and transportation and other kinds of requirements.

We have got a population that wants to work, and policymakers and taxpayers who really do not understand what needs to be done. In order to do that, they have to move forward with the health care component and child care subsidies. I think you will see welfare reduced if you will move forward on those issues.

The CHAIRMAN. Well, I strongly believe that as well. I also think, though, that we have not done a very realistic job of assessing what kinds of jobs are there and then matching those who are looking for the jobs with the jobs that exist. It just seems to me we must be more realistic. And it differs from community to community, which has to be taken into account.

Ms. SHUPTRINE. Senator, you know much more about this than I do. I do not understand the job training programs, but I know the recipients that we have met with seem to need basic skills training more than they need job training. And what the employers are telling us is that they do not need someone sent to them who is trained for a job; they need someone who can read and write, and they will train them.

The CHAIRMAN. I have heard that over and over, and we have heard that in hearings before the Labor Committee as well. Of course, that also goes back to working with our schools.

Thank you very much. I appreciate your patience. Your testimony has been most helpful.

That concludes our testimony this morning.

[The appendix follows.]

APPENDIX

PREPARED STATEMENT OF SARA McLANAHAN

Senator Kassebaum and Committee Members: I appreciate the opportunity to speak to you today. It appears that the country is on the verge of making fundamental changes in our welfare system, while I believe the system is badly in need of repair, we could be doing worse and we must be careful not to "throw out the baby with the bath."

America's children have become more economically insecure over the past two decades. Child poverty rates have increased by more than 40 percent, and the proportion of children living just above the poverty line has also grown. Some of the decline in living standards is due to increases in single motherhood; but most of it is due to high unemployment and declining real wages for the bottom half of the population. Poverty rates among children living in households with a male present have also increased by over 40 percent. So even if there were no single-mother families, children would still be in serious economic trouble.

But alas, single-parent families have grown dramatically, and this has exacerbated the economic insecurity of children. By 1993, nearly 30 percent of all children were living with a single parent, and demographers estimate that over half of all children born today will spend some of their childhood in a single-parent household. About half of these children will be poor; the rest will experience a substantial drop in income when their fathers leave home.

My research shows that, compared with children who live with both parents, children living with only one parent are more likely to drop out of high school, to spend time in jail, to become teen mothers, and to have trouble finding and keeping a steady job. About half of this disadvantage is due to the precarious economic situation of these children. The rest is due to lower parent involvement and supervision and to higher residential mobility. Children in step families do just as poorly as children in single-mother families. Furthermore, while father absence is more common among minorities and other disadvantaged groups, the increase in risk associated with family disruption is just as great for children from advantaged families.

The evidence gleaned from my research is reenforced by my experience as a teacher at Princeton. I've had students burst into tears while I was lecturing on the subject of divorce, and I've had students tell me that they feel responsible for making sure their fathers pay child support on time. The pain and uncertainty associated with father absence does not discriminate by race or social class.

I tell you this because I am concerned about recent attempts to make sharp distinctions between the children of divorced and never-married parents and to demonize the latter. The empirical evidence does not support this distinction, and I worry that it will lead to harsh policies.

Turning directly to welfare, the first thing to say is that its contribution to the growth of single-parent families is small. At most, welfare can account for 15 percent of the growth over the past three decades. Single motherhood has increased among groups that would never qualify for welfare in the U.S., and it is lower in countries where welfare benefits are much more generous.

The key to understanding the shortcomings of the current system is to recall that welfare was created to solve a different problem in a very different social climate. In 1935, when AFDC was enacted, the vast majority of single mothers were widows, and most married mothers were homemakers. In such a world, we didn't need to worry about child support, or the fact that we were more generous with single-mother families than married-couple families, or that income-tested welfare benefits discouraged work. In today's world, divorce and out-of-wedlock childbearing are common, and the vast majority of married mothers are employed. Thus, we have to worry much more about the work and marriage disincentives in the system.

As I listen to the debate so far, I hear many different positions. At one extreme, I hear proposals to eliminate or restrict eligibility among some groups. I hear that mothers who cannot support their children should give them up for adoption. In my view, this is a very dangerous strategy. The empirical research is quite clear on two things: poverty is bad for children, and children who grow up apart from both parents are much worse off than children raised by single mothers. In contrast, there is very little evidence to support the claim that draconian cuts will benefit children in the long run by changing their parents' behavior.

I also am concerned about proposals to eliminate entitlements and return welfare to the states. While I agree that states may be able to administer some programs more efficiently without interference from the federal government, I worry that without federal financing, states will bid down benefit levels and find it difficult to cover needy children during recessions.

I am much more comfortable with proposals that place time limits on cash assistance, provide minimum wage jobs of last resort and build up programs outside welfare that reward work and marriage. The EITC is an excellent example of such a program. Child care and medical insurance also fit the bill. Many other Western countries invest much more than we do in child care and health care, and I believe the American public would support such programs if they were available to all families and not just single mothers. I also favor a strong child support assurance system in which the government both enforces private responsibility and guarantees a minimum child support benefit. Thank you for your attention.

PREPARED STATEMENT OF JUDITH GUERON

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corp. (MDRC). I appreciate the opportunity to appear before this Committee today to present what is known about the success of welfare-to-work programs and how changes at the federal level could improve program effectiveness.

BACKGROUND: ADDING A PARTICIPATION REQUIREMENT TO AN ENTITLEMENT

As background, it is critical to recall why a work strategy has been at the forefront of welfare reform efforts for the past 30 years, and why current proposals make the success of this approach even more vital.

The welfare reform debate in this country reflects a dilemma identified as long ago as the Seventeenth-Century English Poor Laws: Is it possible to assist poor people without, by that very act, giving them incentives for behavior that perpetuates poverty and dependency? In particular, is it possible to provide support for employable people without discouraging work?

This reform dilemma arises because, as a nation, we have two conflicting goals for welfare. First, Americans do not want children to be poor, and thus our first goal is to reduce child poverty. The most direct way to do this is to provide the parents of poor children with money. But, second, Americans also think that parents should be working and supporting their children. One way to encourage this is to reduce welfare benefits so that work is the only reliable alternative to starvation.

However, children and their parents are a tied sale: You cannot help one without helping the other. Thus, it is hard to get tough on parents and yet continue to provide a safety net to support their children. When the federal government began providing income assistance to poor families, as part of the Social Security Act of 1935, times were different and, for single mothers, the public placed primary emphasis on the first objective. Thus, the Aid to Families with Dependent Children (AFDC) Program was explicitly created to help single mothers stay out of the labor force and take care of their children. One researcher, Gilbert Steiner of the Brookings Institution, has called AFDC's enactment a national commitment to the idea that a woman's place is in the home. The public thought this was fair because, at that time, fewer middle-class women were working and because AFDC supported a popular group (primarily widows or the wives of disabled workers). People did not care if welfare reduced this group's work effort (they intended it to) or remarriage rate. Contrary to what you hear, individual welfare entitlements were not meant to be temporary.

However, with the extraordinary tripling of labor force participation by women over the last 40 years, the public no longer thinks it is fair to support poor single mothers, when other women are working for little money and often not by choice. That welfare mothers are now more likely to have had children outside of marriage adds to their unpopularity.

Beyond equity issues, the public is concerned that welfare creates perverse incentives and worries that if you pay for something, you will get more of it. The fear is that a welfare system that provides funds mainly to women who are single mothers promotes illegitimacy by enabling women to support their children without depending on men. While the research record is not clear on how much welfare has promoted single and unwed motherhood, the concern persists.

These developments undermined support for the original idea that welfare should provide an alternative to paid work. Instead, a new basic compromise was forged: A mandatory welfare-to-work strategy was added, and the notion of welfare as temporary and transitional was introduced. Under this approach, Congress has maintained the basic AFDC safety net, but added work-related mandates in an effort to mitigate the unintended consequences that might flow from providing assistance. In effect, AFDC was changed from a no-strings-attached entitlement—if you were poor, you got money—into a reciprocal obligation, under which, to get full income support, people would have to participate in some work-directed activity or work itself.

The attractiveness of the work strategy was its promise to reconcile society's two goals. Yes, families (and thus children) would continue to get income, but that income would be reduced unless the parents took steps toward work. The hope was that new requirements would simultaneously change the values conveyed by the welfare system, make welfare less attractive, and provide services that would speed the transition to self-support.

The general approach was that welfare recipients would have to participate in activities designed to help them get an unsubsidized job—activities such as job search, education, skills training, or unpaid work—or risk losing some share of their welfare benefits. Since 1967, there have been several visions of how to make this mandate real. Under the Work Incentive (WIN) Program during the 1980s, the emphasis was on getting women with school-aged children to look for work. Research showed that the resulting relatively low-cost job search programs could be cost effective, but that many people remained on welfare and those who went to work got low-paying jobs. This led to a more ambitious focus in the Family Support Act of 1988 and the Job Opportunities and Basic Skills Training (JOBS) Program it established: extending the mandate to women with younger children and providing a mix of services—with an emphasis on education and training—in an effort to further promote work, reduce poverty, and decrease long-term dependency. While some people emphasized that WIN and JOBS involved participation in employment-enhancing activities, others argued that those who were not successful in finding regular jobs would have to work in government-created community service positions in order to receive continued income support. Most recently, advocates of the latter approach propose setting a firm limit on the length of time people could receive employment services, after which the only option for continued public support would be some form of work.

Over the past 25 years, states have struggled to make a conditional entitlement real. This has proven difficult. Where successfully implemented, such programs have increased work and reduced reliance on welfare but, alone, these programs do not appear to work miracles. Does this mixed experience suggest that it is time to abandon the basic compromise of the welfare-to-work strategy?

In this testimony, I argue that the answer is a compelling “no,” and that, quite to the contrary, our nation should now redouble its efforts to make this transformation succeed. This is because work strategies still offer the best hope for reconciling society's dual goals and containing costs.

Moreover, if we care about protecting children, successful welfare-to-work programs will be even more urgent if Congress or some states decide to place time limits on welfare (followed either by work or a cutoff in all income support). However, making a work strategy succeed does not mean continuing business as usual. The average welfare-to-work program falls far short of the potential. There are some clear steps that the federal government and the states can take to improve program effectiveness.

In this testimony, I also raise a caution. Those of you who want to expand work mandates should pay close attention to the federal financing structure. A structure under which AFDC benefits and work programs would be funded from the same feed resources might have the perverse effect of squeezing out innovative and demanding work programs.

WHAT CHALLENGES DO WELFARE ADMINISTRATORS FACE IN TRANSFORMING AFDC?

Administrators face four challenges in transforming AFDC into a work-focused mandate that moves people permanently from welfare to work. The first is resources. Enforcing participation requires an up-front investment in staff (to connect people to services, monitor their participation, review reasons for nonparticipation, and cut grants if people do not play by the rules); in providing activities job clubs, training, work slots, etc.) that are sufficiently plentiful to give teeth to the mandate; and in child care, transportation, and other support services so that AFDC mothers can participate.

The second is changing the culture of JOBS program offices, and possibly welfare payment offices as well. Laws are made in Washington and state capitals, but policy becomes real in the exchange between welfare staff and recipients. The past focus on rooting out fraud and abuse has put the accurate determination of people's eligibility for benefits at the top of the agenda in most welfare offices; getting them into jobs has been something of an afterthought. Moreover, efforts to change this have often left staff overwhelmed and confused: They are told to provide in-depth support and to closely monitor recipients, but have caseloads of several hundred; they are given contradictory goals of simultaneously transforming people's earning capacity and getting them jobs quickly; they are told to get jobs for potential long-term re-

cipients, but not how they might accomplish this. Changing the culture in JOBS offices will require clear priorities, adequate staff, and sufficient resources.

The third challenge concerns the women themselves. AFDC recipients are an extremely diverse group, with some being highly employable and others being close to disabled, although not eligible for Supplement Security Income (SSI) benefits. A recent survey of people who were targeted for the JOBS program in selected sites shows that between a quarter and half lacked prior work experience, at least a third had extremely low literacy skills, and more than a quarter said they could not participate at that point in time because they or their child had a health or emotional problem. (The share unable to participate would have been larger if the survey had covered all AFDC recipients, i.e., including those not currently subject to the JOBS mandate.) But, somewhat surprisingly, the same survey shows that welfare recipients support the idea of participation mandates. Furthermore, the vast majority say that it is fair to make people on welfare get a job, even if they do not want to.

The final challenge, which affects the ability of any work-focused mandate to succeed, comes from the job market and economic incentives facing welfare recipients. In pushing recipients to work, and equipping them for it, states have been swimming upstream against the strong current of declining wages for the low-skilled. The combination of the low wages they command and the perverse rules of the welfare, Medicaid, and child care systems—where people can be worse off working than on welfare—means that welfare recipients have little economic incentive to work.

The last two challenges—low skills and little economic incentive to work—help explain why welfare recipients who take jobs often leave or lose them quickly. The first two challenges—adequate resources and a new message—are areas where federal structural and financing policies will be critical.

WAS JOBS IMPLEMENTED? HAS JOBS FAILED?

Reports from the General Accounting Office, the Rockefeller Institute of Government at the State University of New York, and MDRC show huge variability in the success of states in implementing a work-focused mandate. JOBS was supposed to provide both carrots and sticks: offering employment-directed services, but requiring that people participate and take steps toward self-sufficiency. In 1988, the public was led to expect that the new legislation would fundamentally change the message and character of welfare and reduce the rolls. In some places, as a result of JOBS, welfare is now very different; but in many places, it is not. The reasons are clear: States had little knowledge of how to implement high-performance programs; there was no consensus on goals and the means to reach these goals; and, most importantly, JOBS programs did not have the resources to make the mandate real for most of the AFDC caseload, especially since the program was implemented during a recession that drove up the rolls and limited states' ability to provide the match to draw down available federal funds. As a result, JOBS has provided some new education and training services for welfare recipients, and states have largely met the participation targets set by Congress. But in many places it operates as a voluntary program, which clearly was not the intent of the Family Support Act.

While the national experience is mixed, studies have identified clear examples of excellence: JOBS programs that have successfully implemented a participation mandate, changed the nature of welfare, and gotten many welfare recipients to substitute earnings for AFDC payments. I will turn to the findings in a minute, but the larger lesson I want to stress now is that we know that JOBS can do much more than it has so far accomplished. In this area, we act on knowledge, not hope. The challenge is to learn from and build upon the more successful programs.

WOULD JOBS MATTER IN A WORLD OF TIME-LIMITED WELFARE?

Is this worth doing? Does JOBS have a role in an era of time limits and cut-offs? Making JOBS-type programs work better can not only respond to the public's dissatisfaction with no-strings-attached assistance, but is also vital to making a time limit—either with some form of mandatory work at the end or with all support simply ending—feasible and affordable, and reducing the misery involved in such a transformation.

I say this because, from a state perspective, it seems that the risk of a time limit will be too high unless more people than is now the case leave welfare before reaching the limit. If not, too many people will "hit the cliff" and either require subsidized work, which will cost the public more than cash welfare, or face a dramatic loss of income, with unknown effects on families and children and, ultimately, public budgets.

Thus, building high-performance JOBS programs is not an alternative to, but a prerequisite for, any form of time-limited welfare. The challenge in Washington is

to assure that the resources, incentives, and knowledge are there to make this investment feasible; the challenge in the states is to make a reality out of JOBS' potential.

IF JOBS REMAINS CRITICAL, WHAT IS ITS POTENTIAL?

Successful JOBS programs can impose a real participation mandate, increase employment, and reduce welfare costs.

1. JOBS' potential to implement a participation mandate

It is easy, sitting in Washington, to assume that anything less than 100 percent participation means that administrators are not taking the JOBS mandate seriously. But if legislation is to reflect reality, it is critical to understand why this is not a reasonable goal, even for the toughest administrators, those committed to getting everyone to participate. Evidence from two special demonstration programs that had substantially expanded funding indicates that, in a typical month and by working with all people subject to the mandate, administrators could get 50 to 60 percent of them either to be active in the program or to hold an unsubsidized job (usually part time) while remaining on welfare.

2. JOBS' potential to change behavior and save money

MDRC has recently completed an eight-year, six-county study of 37,000 people in California's GAIN program, the nation's largest JOBS program, which shows several models of success. While, on average, GAIN succeeded in increasing earnings and reducing welfare benefits, impacts were at least twice the average—and, indeed, the most impressive measured to date—in Riverside County. There, GAIN led to a 26 percent increase in the share of AFDC recipients working, a 49 percent increase in average earnings, and a 15 percent decline in welfare outlays, all of which helped the program return to taxpayers almost \$3 for every \$1 spent to run the program. Riverside produced dramatic results for all groups in the caseload, including very long-term recipients (who were on welfare continuously for at least six years), people with poor educational skills, and people with preschool-age children.

Riverside's program and the GAIN programs in San Diego and Butte counties proved to be triple winners. In terms of society's two goals for reform, which I mentioned earlier, they increased both the income of welfare families (getting more money to children) and people's self-sufficiency (by getting parents to substitute earnings for welfare). In the process, they also saved money for taxpayers by generating measured budget savings that actually exceeded (or, in the case of Butte, equaled) the up-front investment in operating the program. Not many social programs can match these accomplishments.

While these findings are impressive, Riverside's GAIN program has not eliminated welfare or transformed the earnings potential of welfare recipients. More people got jobs than would have gotten them without the program, and got them sooner, but they were usually not "better" jobs and families were rarely boosted out of poverty. Three years after enrolling in Riverside GAIN, 41 percent of people were still receiving welfare benefits, although some of these were working and receiving reduced grants.

WHAT EXPLAINS RIVERSIDE'S SUCCESS?

Real-world JOBS programs are complex amalgams of work-directed services, management style, operational decisions, available resources, and local environments. Success hinges to a large degree on what activities are provided (job search, work experience, education, or training), how they are targeted (serving a few people versus requiring that all must participate), and the manner in which they are provided (the message, the management, and the mandate).

Riverside provides one version of a high-performance JOBS program. In testimony last year, I characterized their tough and conservative version of the JOBS program as follows:

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program—and about half of Riverside GAIN participants are—you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job.

The Riverside program simultaneously included a number of features:

- Priority on the JOBS program by the most senior officials in the agency.
- A strong commitment and adequate resources to serve the full mandatory population (not just those who volunteer or appear to be more job-ready).
- A pervasive emphasis on getting a job quickly, even a job that is relatively low-paying and even for people placed in education and training activities.
- A mixed strategy, emphasizing structured job search ("job clubs"), but also making substantial use of basic education.
- The active use of job developers to establish a close link to private sector employers and to help recipients locate work.
- A willingness to use sanctions (i.e., grant cuts) to enforce the participation mandate.
- A cost conscious management style, reflecting a recognition that time is money and that moving people quickly toward the goal of employment will increase the program's cost-effectiveness.
- An outcome-focused management style, including job placement standards for case managers.

HOW MUCH SHOULD PROGRAMS EMPHASIZE EDUCATION AND TRAINING VERSUS QUICK JOB PLACEMENT?

One's judgment about the success or failure of any particular JOBS strategy depends in large part on one's goals for welfare reform. The available findings suggest that there are trade-offs along the continuum from a essentially job search/job club program, to one that emphasizes quick employment but also includes some education and training, to one that includes some job search but emphasizes education and training, with a goal of getting people into higher-wage jobs.

Job clubs get people into employment quickly and save taxpayers money, but do not get people into jobs with higher wages than those they would have found on their own, or succeed with the more disadvantaged. Programs focused on getting people higher-wage jobs cost taxpayers money, but can increase job quality and may make a greater long-term difference in the earnings of some recipients. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies: They can make welfare recipients somewhat better off, save taxpayers money, and change the employment behavior of some of the more disadvantaged recipients.

The extent to which a program succeeds and is cost-effective, however, depends not only on the mix of services, but also on the quality of implementation. Spending a lot is not enough to assure success; spending a little is not enough to assure savings. Managing resources (recognizing that time is money) is central, no matter what the program's goals. In Riverside, managing for success meant providing a range of services but having one clear goal, controlling costs, and stressing performance in all activities.

While cost-conscious management can pay off, the research also provides a clear warning against spreading program resources very thin, as can happen, for example, in environments where hard-pressed administrators have to stretch limited resources over increasing numbers of welfare recipients. There is a threshold of resources below which a mandatory program may produce small welfare savings (through sanctions and the "hassle factor") but is unlikely to increase people's employment and earnings.

WHAT DO WE KNOW ABOUT THE FEASIBILITY AND EFFECTIVENESS OF WORK-FOR-BENEFITS ("WORKFARE") PROGRAMS?

Some of the current reform proposals call for large-scale, work-for-benefits programs (usually referred to as "workfare"), either as a substitute for JOBS' other activities or for people who have not found work despite two years of access to work-directed services. Hard knowledge about workfare is limited and comes mostly from studies of small-scale programs implemented during the 1980s. These show a mixed record.

On the positive side, the studies suggest that it is feasible to get people to work for their grants, that they view work assignments as fair, and that they do real work. Furthermore, the value of the work produced offsets the cost (approximately \$2000 to \$4000 annual cost per filled slot, excluding the cost of child care). Thus, such programs provided a alternative way to support children. On the other hand, repeatedly, states have had trouble developing large numbers of work sites and have found that some welfare recipients were unable to work, with the result that programs were almost always much smaller than anticipated. The very limited evidence that is available suggests that, under these conditions, mandatory unpaid work did not develop people's skills and did not prompt people to move more rapidly

into unsubsidized employment or deter them from applying for welfare. It is possible that large-scale, universal, ongoing work requirements before or after a time limit might have a much larger effect on the rolls, but since this model has never been rigorously tested—with the exception of a program for men in West Virginia—its effectiveness remains unknown.

Since the welfare programs that were tested did not appear to reduce the welfare rolls, studies concluded that, in strictly budgetary terms—i.e., ignoring the value of the work performed—sending people a small check was probably cheaper than providing them with a non-market way to earn it. This is because free labor is not really free: It costs money to develop, manage, and monitor work sites, and to provide child care to people while they are working. Because of the high potential costs, some states structured the work obligation to limit the demand for child care by imposing only a three-month work obligation, setting the number of required hours of work per week to fit around the school schedule, or exempting mothers of preschool children.

While work-for-benefits programs may not save money, if they could be implemented at scale, they would be a means to deliver on the welfare-to-work strategy's potential for maintaining a safety net of funded support for children while sending a more socially acceptable, pro-work signal to parents. A recent Kaiser Family Foundation/Harvard University poll shows the public's strong support for such an outcome.

CAN YOU REPLICATE OR IMPROVE ON RIVERSIDE'S RESULTS?

At this time, it is unclear whether Riverside's success can be replicated in diverse communities around the country, particularly in inner-city areas. The average JOBS program lags far behind and will have to change considerably to deliver on the program's potential. However, it is clear that the techniques used—and the economic conditions—were not so exotic as to suggest that other localities could not adapt them to strengthen their own programs. Indeed, other programs that have been or are being evaluated—SWIM in San Diego, the Center for Employment Training (CETI) in San Jose, several of the sites in the national JOBS evaluation—appear to make successful use of some of the same techniques.

If the rest of the nation's JOBS programs could attain similar results—an objective that the nation's governors appear eager to pursue—the welfare-to-work bargain that has been the cornerstone of the new welfare compromise would indeed achieve a transformation of welfare. Moreover, a number of factors might further improve JOBS' effectiveness: if the financial incentives facing welfare recipients were more pro-work or if there were more assistance to people once they begin work in order to reduce the high rate at which they quit or lose their jobs and return to welfare.

WHAT FEDERAL ACTIONS CAN INCREASE THE EFFECTIVENESS OF WELFARE-TO-WORK PROGRAMS?

Are major structural changes needed to effect this transformation? I do not think so, beyond provisions to allow states greater flexibility. But there is a major federal role in addressing the first two challenges I outlined early in this testimony: changing the message and practice of the JOBS program and providing adequate resources for the up-front investment in welfare-to-work programs.

1. Structural Reform

The difference between high-performance and average JOBS programs is not structural. The key is what staff do and how they do it. Any fundamental structural change would take years to put into place—years in which changes in federal law filter down through new regulations to changes in state law, to changes in local government, to the development of new procedures in local welfare offices, and, finally, to the interaction between line staff and welfare recipients in those offices. At its best, "structural change" could provide a new environment in which welfare programs would have the potential to work better, but there is no guarantee that this would occur. Changing the structure of the system is in some sense the easy part. At its worst, structural change could divert administrators from confronting the tough part: the day-to-day tasks that would still remain after making any major structural change. These tasks—articulating a clear mission, explaining to staff how this message affects what should happen between welfare recipients and staff, getting people into quality services, monitoring their participation, addressing problems quickly when they arise, sanctioning nonparticipants, and putting in place systems, services, and practices that are cost-effective and put large numbers of welfare recipients to work—are the keys to success.

The history of reform in the nation's employment and training system is one in which the structure is changed, but the real action—the interaction between welfare recipients and staff and the quality of employment services—is neglected. This is where administrators need to focus in order to improve program effectiveness. But for administrators to tackle these tough issues with zeal requires that they identify with the program's mission. Visions for welfare reform spring from different values and goals. Promoting program ownership requires giving states flexibility in the design of their work strategy.

2. *Performance Standards, Technical Assistance, and Knowledge-Building*

What can the federal government do to increase program effectiveness? Some of the cross-state variation in the design and nature of welfare-to-work programs reflects different values and goals for welfare reform, or differences in resources. But some of it reflects differences in competence, know-how, and knowledge.

In addition to providing funding, there are three ways the federal government could promote change. The first would be to tie funding to the achievement of performance standards intended to promote JOBS' different goals: imposing a work-focused obligation (participation standards) or increasing employment and reducing welfare receipt (outcome standards). People who envision work programs primarily as a means to impose a quid pro quo for welfare receipt, favor participation standards, the current approach. These standards seem to have been effective in moving the system in the direction of imposing a participation mandate on a larger share of the caseload. People who see JOBS programs as a means to increase employment and reduce welfare receipt view participation standards as a diversion and advocate a shift to outcome standards, i.e., measures such as the rate at which welfare recipients get jobs or leave the rolls.

The attraction of either outcome or participation standards is clear: There is evidence that the system would respond to such incentives, i.e., that you get what you measure. Congress or the states could identify the goals, and individual administrators could then be unleashed to be creative in achieving them. While there is a clear logic to outcome standards, there are also some warning flags. Studies show that:

- The easiest way to get more job placements is to change whom you serve, not how you serve people. This has led to the phenomenon of "creaming."
- There is no clear correlation between programs that produced good outcomes (e.g., high numbers of job placements) and programs that actually change people's behavior (i.e., get jobs for people who would not have gotten them anyway).
- The nation's major performance-driven system, the Job Training Partnership Act (JTPA) program, was not more successful with welfare recipients than welfare-to-work programs that did not operate under outcome standards. JTPA programs produced comparable earnings gains, but did not generate welfare savings, a clear goal of welfare reform programs.
- It is very difficult to create a level playing field across states facing varied economic conditions and with diverse welfare populations.

This does not mean that some combination of outcome and participation standards might not be an effective tool to motivate program staff, but it does suggest caution in over-reliance on this approach at the federal level.

A second way the federal government can bring about wider application and use of effective strategies is to take advantage of the growing body of research evidence about what works and what does not work. This could be done by a aggressive, hands-on, federally sponsored technical assistance and training effort—possibly combined with financial incentives—designed to provide states with concrete evidence on the services and management practices and strategies that have been used by the most successful welfare-to-work programs. While this is not a guarantee of success—and states' responses will vary, depending on their particular priorities and goals for reform—it could short-cut the learning process and promote change.

Such an effort could champion the techniques shared by welfare-to-work programs of proven effectiveness:

- Saturation services. The resources and commitment to work with everyone required to participate.
- Adequate staff and systems. Reasonable staff caseloads and reliable automated systems so that JOBS workers can monitor and report on participation and outcomes.
- A strong employment focus. JOBS staff who promote the value of work and the capabilities of welfare recipients, while providing a range of services.
- Private sector connections. The active use of expert job development staff who link participants to real jobs.

- Committed management. Leadership that conveys a clear message about the program's employment goals and the means to attain them.
- Outcome and process standards. Management that tracks staff success in getting people into jobs and in enforcing the participation mandate.

Finally, there is also a continuing federal role in identifying effective practices, evaluating new innovations, and determining the replicability of successful approaches. Twenty years ago, we knew almost nothing about the effectiveness of different welfare-to-work approaches. I can discuss the findings presented in this testimony today because of the large body of studies that now exists. If, with new flexibility, states increasingly become the laboratories for innovation and the locus of control for work strategies, the urgency of capturing the lessons will be even greater. The need for a federal role in knowledge-building and technical assistance will be more urgent, since states will have limited incentive to increase and share knowledge.

WOULD BLOCK GRANTS ENCOURAGE OR INHIBIT THE EXPANSION OF WORK-FOCUSED PROGRAMS?

The goal of welfare-to-work programs is to change AFDC from an income transfer program to a system promoting and requiring work. This involves an up-front investment in creating enough work-directed activities to make the obligation real. While the payoff can be substantial, it is in the future. (For example, it appears that the Riverside program took close to two years to pay taxpayers back for the initial investment. Less effective programs—or those working with more difficult populations in inner-city areas—can take longer.) If JOBS funds are included in a block grant, the marginal, or last, dollar spent will come 100 percent from state tax-levy funds. Under these conditions, will work programs thrive?

1. If AFDC and JOBS Are Included in One Block Grant

It is hard to predict how states will respond if they receive one block grant to cover AFDC benefits and welfare-to-work programs. While some states may maintain or expand their work programs and welfare reform initiatives, it is likely that, when there are no federal matching funds for the last dollar spent on a work program, states will have shorter time horizons. If applications for welfare increase and states come under pressure to meet grant payments, work programs will be at risk. This is because they will seem more discretionary and, therefore, easier to cut. Also, states may resist investing in these programs, since some of the returns (in reduced Medicaid and Food Stamp outlays, or increased tax payments) will go to the federal treasury. For both reasons, work programs may be scaled back or funded at levels that have been shown to very little.

2. If JOBS and Employment and Training Programs Are Included in One Block Grant

The main issue to consider in answering this question concerns program goals. The objectives of mandatory welfare-to-work programs may, in part, overlap with those of voluntary employment and training programs, but they also diverge in fundamental respects. JOBS programs seek not only to help people find jobs and increase their skills—the goals of the employment and training system—but also to impose a participation requirement and reduce welfare receipt. Welfare-to-work programs are thus distinctly different from the typical job training program: They do not serve motivated volunteers but, rather, mandate participation; they cannot screen applicants and select those who can be placed in jobs, but must seek to reach everyone on welfare.

From an operational perspective as well, this divergence in goals means that the JOBS program has to be tightly linked to the income maintenance system, i.e., those who pay the welfare checks. All we learned in the 1970s, having responsibility for welfare employment programs in one state agency and responsibility for the welfare payment system in a different state agency is a complex structure for reforming welfare through work-focused mandates. Whatever emerges should facilitate, not complicate, the necessarily close link between welfare and work.

A real innovation in welfare-to-work programs occurred in the 1980s, when governors obtained new flexibility and assumed ownership of the program, ending the bifurcated structure where welfare-to-work programs were jointly managed by the federal and state labor and welfare departments. JOBS takes on new relevance when it is a tool for reducing welfare costs, wielded by the agency responsible for paying grants.

HOW MANY WELFARE RECIPIENTS CANNOT REASONABLY BE EXPECTED TO WORK?

Finally, an inevitable question in discussions of welfare reform concerns the work potential of welfare recipients. Contrary to the stereotype, many recipients want to work and, in fact, do work. Some work while they are receiving AFDC, and many take jobs and leave AFDC. In the California evaluation, the majority (57 percent) of people in GAIN worked at some point during the three years after entering the program, and about two-thirds of them worked at least 30 hours per week in their most recent job. Moreover, the overwhelming majority of GAIN survey respondents who said that they were not employed but were looking for work reported that they were seeking a full-time job, a preference that was also noted in a recent report from the National JOBS Evaluation.

Even for those who are employable, however, studies also show that the road to self-sufficiency can have many detours and that "employability" is not a static condition. Setbacks are common. The GAIN study found that less than a third of people in the program were working at any given time, indicating a high rate of job turnover. Jobs ended when people quit (e.g., because of family crises) or because of layoffs, conflicts at the worksite, or a variety of other reasons typical in the low-wage employment sector.

But there is also a group on welfare who simply cannot work in unsubsidized jobs, either because of their very low skills, their lack of any experience with work, or their own or their children's chronic health or severe emotional problems (problems that, nonetheless, do not qualify the family for SSI). One study, the National Supported Work Demonstration, targeted very long-term recipients and showed that, with special assistance and in unusual settings, some people who would normally have been considered unemployable could in fact work. But creating the close supervision and somewhat protected work settings proved very expensive. Moreover, when the 12 or 18 months of transitional paid work ended, a substantial group of women who could get by in the sheltered program environment were not able to get or keep an unsubsidized job.

The number of people who cannot work, or who could work only with special support, is probably less than the quarter of JOBS eligibles who said in a survey that they could not participate at a particular point in time. But the group in question will constrain efforts to obtain very high rates of participation in work-related activities or workfare positions and will challenge administrators implementing time-limited welfare approaches.

CONCLUSION

For 30 years, Congress has responded to the public's clear desire to change welfare from a no-strings-attached entitlement to a transitional program that requires that may people on welfare participate in work-focused activities. This has proven difficult to do and, as a result, some are arguing that JOBS has not worked and should be discarded. This would be a serious mistake. Across the country, states and localities have moved along the road toward changing welfare and have put in place many of the building blocks of reform. Research on JOBS programs does not suggest that they offer miracle cures. But we do not have comparably reliable evidence of alternative approaches that work better than the nation's most promising JOBS programs in substituting earnings for welfare while saving money for taxpayers and continuing to provide a safety net for children whose parents cannot or will not work.

We now know that JOBS can succeed in changing welfare so that it feels more temporary and communicates different values. If welfare offices throughout the country were communicating the same new message and having the same results, the public might have a very different view of legislators, administrators, and welfare recipients. They might think that reformers were finally getting serious.

But can communities throughout the country achieve this level of performance? The answer is not clear. Currently, average performers lag far behind and will have to change considerably for JOBS to deliver on its potential. But what is clear is that most communities have only begun to try, and that bridging this gap will not happen by putting JOBS on autopilot. There need to be more resources (to make the mandate real), stronger management, and commitment to a program that is more work-focused and mandatory.

There is clearly both a federal and state role in making this happen. There is a severe risk that we will not realize the potential of a welfare-to-work strategy because sufficient funds are not available. One way this might occur is if states have to make tradeoffs on the use of a single pool of funds: i.e., spend them on maintaining welfare benefits, or on up-front investments in programs to get people off the rolls, or on mandated programs to keep them working while on. Thus, the federal

funding structure will be key to promoting JOBS' expansion. But, beyond this, the federal government has a clear role in building state capacity. Doing this involves steps to identify models of excellence, to understand whether success can be replicated under diverse conditions, and to provide a decentralized welfare system with reliable evidence on how to improve program performance.

Finally, the federal government and the states both have a role in trying to alter the economic conditions—the combination of stagnant or declining wages and anti-work incentives built into the welfare system—that constrain the potential for success of current efforts to get welfare recipients to work.

While improvement is clearly possible, in providing leadership in welfare reform, the federal government and Congress face the challenge of avoiding overpromising on the success of the next round of reform. There are simply no easy solutions for poverty or welfare. Helping the public understand what level of change is attainable, and taking all the steps needed to make that occur, might break the cycle of cynicism that has resulted from past waves of reform. Instead of setting unrealistic goals and denouncing modest success as failure, setting realistic goals might help the public gain greater confidence in, rather than find a new reason to discredit, government.

PREPARED STATEMENT OF SARAH CARDWELL SHUPTRINE

Thank you for the opportunity to appear before you today to present the findings of a welfare dependency study conducted by the Southern Institute on Children and Families and to also share information included in a discussion paper prepared by Sarah Shuptrine and Associates on the differing rules across AFDC, Medicaid and Food Stamps. Both documents have been submitted to the Committee as part of my testimony.

The focus of the study by the Southern Institute on Children and Families was to examine the impact of the potential or actual loss of Medicaid on welfare dependency. Site visits were conducted in North Carolina and Tennessee. We interviewed 69 recipients for 30 minutes each and also convened community discussion sessions with advocacy groups, employers and public and private agencies involved in training and placing welfare recipients in the work force.

Our findings clearly indicate that the high cost of child care and inability to afford health coverage are major impediments to leaving welfare.

If we want families who are able to work to leave welfare for work, we have to understand the dynamics of that decision. The dilemma is that even though the combined benefits of AFDC cash assistance and Food Stamps fail to lift families out of poverty, welfare families cannot afford the extra costs incurred when they go to work, particularly the cost of child care.

Our study found that Medicaid is a major factor, but it identified child care as the benefit recipients ranked first in importance related to their ability to leave welfare for full time work. Lack of transportation also showed up as a barrier for welfare families who want to work.

In discussing the relative importance of various benefits, the staff and advocates we met with stressed that "things happen" and when those things occur, they become the priority. Where child care may be the most pressing need, if the child becomes sick, the priority shifts to the need to obtain health coverage. If the rent is due and there are no funds to pay for it, the priority becomes the need for cash. If the parent becomes seriously ill, the priority becomes cash and health coverage.

These things happen to all families, but with working poor families, there is no margin. There are few savings, if any, to fall back on to cover the unexpected, such as the breakdown of the family car or reduced working hours. One study recipient said:

If you have a minimum wage job and something happens to your children, you have to pay the medical bills and take time off from work. One incident will put you in the hole.

Study recipients provided evidence that minimum wage jobs without health coverage will not draw many families off welfare. Recipients were asked to state the likelihood that they would accept a minimum wage job given various options related to health coverage. [At \$4.25 an hour, a full time minimum wage job pays \$8,840 annually.]

- When asked if they would accept a minimum wage job that did not provide health benefits for them or their children, 80% of the recipients responded "Not Likely."
- When asked if they would accept a minimum wage job that provided health coverage for them, but not for their children, 55% responded "Not Likely."

- When asked if they would accept a minimum wage job that provided health coverage for them and their children, only 17% responded "Not Likely."

We asked the recipients for suggestions on how to improve the welfare system so that it better supports a parent's decision to go to work. It should be noted that most of the recipients interviewed had been on AFDC two or more times so they were very familiar with the system. Over two thirds (68%) said that benefits should be gradually reduced to give families a better chance to get off and stay off welfare.

Over and over again, we heard from the recipients that they feel they lose everything if they leave the welfare system. I'd like to share some quotes with you:

- When you work, they take everything away. The more you try to do on your own, the more they hold you back. You're constantly being pulled back when you try to take a step ahead. It gets real frustrating at times.
- I could keep a job if I had child care for my children.
- Help me out—I am trying. Medicaid is the biggest thing, especially if you have small children.
- Give people incentives. Don't take everything away once they get a job because it makes the struggle that much harder.

The perspective provided by the staff and advocates during the community discussion sessions underscored the importance of not withdrawing all assistance when the recipient starts working full time:

- Once they get a job, it is hard to meet basic needs. Day care takes a big chunk of their salaries. They want good day care, like the rest of us, for peace of mind.
- There is disparity in the system. Recipients are aware that their rent will go up if they go to work and the next door neighbor's rent will stay the same because she chooses to stay at home. The message is that a person can receive benefits without trying to better herself whereas the person that does try will lose everything.
- It is not uncommon to have women quit working when they know they are going to lose Medicaid for them and their children. If insurance is available, they can't afford it for the whole family. They see it as an insurmountable obstacle.
- People are dependent on the welfare system because a minimum wage job will not take care of child care and health needs.

Self esteem turned out to be a potentially significant factor in helping recipients to move from welfare to work. It was reported that it was not uncommon for recipients to receive little or no support from their family and friends when they take actions to become self sufficient. Some even face ridicule and hostility from those closest to them, such as relatives, friends and boyfriends. Since leaving welfare requires some measure of self confidence, the likelihood that a single parent on welfare will successfully move from welfare to work is far less if they have low self esteem.

One of the most disturbing findings of the study is that far too many of the recipients and the persons who work with them have an inadequate understanding of eligibility rules related to working families, particularly Medicaid eligibility rules. Forty one percent (41%) of the AFDC recipients did not know that it is possible for a parent to work full time and still get Medicaid for her children and 62% did not know that children can be eligible for Medicaid if their parents are married and living together. Clearly, too many recipients believe that you have to be a single parent on welfare to obtain Medicaid coverage for children. We simply cannot afford to have parents sitting on welfare because they are not aware of the benefits available to their families if they go to work.

We also found that a major contributing factor to the lack of understanding of available benefits for working families is the unnecessary complexity of the federal eligibility rules that govern the AFDC, Medicaid and Food Stamp programs. The differing rules complicate the "messages" sent to recipients.

Finally, we found that the slow pace at which many states have implemented the 1988 Family Support Act JOBS program has resulted in impeding efforts by welfare recipients to leave welfare for work. In FY 1992, states matched only 66% of the available federal funding for job training and other programs to help welfare recipients build skills and move off of welfare. [Note: A table showing how southern states are utilizing the opportunities presented by the JOBS program is included on page 35 of the report.]

The report made the following recommendations:

1. Support and Build Upon the 1988 Family Support Act. Governors and state legislative leaders should take action to fully implement the education, training and support service opportunities made available by passage of the 1988 Family Support Act.

2. Help Families Maintain the Transition from Welfare to Work. State and federal policy makers should enact policies to extend assistance to parents who have moved from welfare to work by making child care and health coverage available on a sliding scale basis once transitional benefits expire. Basing continued assistance on their ability to pay will provide some security for families who want to work, since it guards against their losing all assistance at once.

3. Support Special Initiatives to Build Self Esteem. Local, state and federal policy makers should make self esteem initiatives a central component of welfare reform efforts.

4. Assure Understanding of Eligibility Rules. State social services officials should take actions to determine whether recipients, staff advocates and employers are adequately informed on basic eligibility rules and, if not, should implement aggressive information outreach initiatives. (Note: The North Carolina Department of Human Resources has moved to address this issue through a special information outreach project.)

5. Simplify Federal Eligibility Rules. The President and Congress should work together to enact simplification of the program rules across AFDC, Medicaid and Food Stamps.

As pointed out in the discussion paper submitted to the Committee, current federal eligibility policies and rules foster dependency, produce inefficiency and impede service integration.

For years, states have sought reform of federal rules in an attempt to gain the ability to more efficiently and effectively administer AFDC, Medicaid and Food Stamps. In most instances, states sought greater leeway not because they felt the federal government had no role to play in establishing program policies, but because many of the rules are disjointed, outdated, unnecessarily complicated and overly prescriptive.

The federal rules on allowed resources are an example of disjointed and unrealistic policies which impede a family's ability to get off and stay off welfare. The rules differ as follows:

- AFDC rules do not allow a family to own a car worth more than \$1,500 equity value.
- Food Stamp rules state that the family car cannot exceed \$4,550 in market value.
- Medicaid rules on the car vary considerably across Medicaid groups, depending on the group.
- Food Stamp rules exempt one car if it is used for work or training or to transport a disabled person, Medicaid exempts one car for certain groups, but there is no exemption for a car under any circumstances under the AFDC program.

The question is: Why can't we talk about the same car? Or, better yet, why can't we exempt one car across all of these programs?

For the most part, the rules governing the family car are made at the federal level. The \$1,500 AFDC car is the result of federal statutory language which requires the HHS Secretary to set the value of the car based on equity value. The \$4,650 Food Stamp market value limit is specified by federal statute. Medicaid resource rules allow states some options.

State and local administering agencies are struggling against these types of inflexible and complicated rules and to recipients, they make no sense at all. They know that without reliable transportation, families on welfare are much less likely to be able to become self sufficient. This is especially true for families who live in rural areas where distances are barriers to opportunities.

Turning over funding and decision making on all rules to the states will make the decisions no less difficult while sacrificing continuity of eligibility policy and forfeiting accountability. Giving states greater flexibility can be achieved within the entitlement structure by making statutory changes that substitute broad general policies related to outcomes for the current highly prescriptive federal rules.

Today's welfare debate provides the opportunity to make changes which are desperately needed, but our leaders must strongly resist shortsighted and counterproductive actions. Truly reforming welfare will require that we bite the bullet and support families who can and want to leave welfare. It won't take the meat ax approach—word will get around that things have changed, that there is help for those

who are trying to help themselves—and the welfare rolls will shrink without abdication of our responsibility to help those in need.
[Additional material may be found in committee files.]

PREPARED STATEMENT OF WILLIAM WALDMAN

Good morning, Chairman Kassebaum, and distinguished members of the Committee. I am pleased to testify today about New Jersey's successes in welfare reform and I will also detail for you the problems we've encountered in our reform efforts.

It's been said that the family is the "nucleus of civilization." We can have no greater aim in reforming our welfare system than to preserve and nourish that nucleus—that essence—of all we are as a nation.

New Jersey's efforts in reforming welfare recognize the family as *the* essential ingredient in the process. That's why we call our present welfare reform effort the *Family Development Program*.

Chairman Kassebaum, as you know, New Jersey pioneered employment and training programs for welfare reform almost ten years ago. Since that time we've developed considerable insight into how best to construct a welfare system that works not just for families, but for the federal government, for states, and for taxpayers.

In 1986, we based our first welfare reform program, called REACH (Realizing Economic Achievement), on the concept of "mutual responsibility."

"Mutual responsibility" means that both the State and the recipient have a role in moving the recipient to self sufficiency. The State's role is to provide training, education, extended health benefits, and child care. The welfare recipient's responsibility is to participate fully in these programs, find a job, and get off welfare.

We developed REACH through a comprehensive statewide planning effort. Representatives from labor, education, welfare, and child care worked shoulder to shoulder to identify and change those areas that discouraged welfare recipients from finding jobs.

In 1988, when the federal Family Support Act created the JOBS program, we only had to make minor modifications to REACH to meet the federal legislation.

We made steady progress in JOBS. For State Fiscal Year 1992, the last year before we began our most recent welfare reform initiative, 11,200

AFDC recipients were in training, 9,500 were in educational activities, 6,000 were in job search. And 7,200 recipients found jobs and left the assistance rolls.

But REACH and JOBS, while important steps in the right direction, fell short of comprehensive reform. So, in 1991, we requested another 1115 waiver to start our Family Development Program, or FDP.

FDP takes a brand new approach to welfare reform. It uses a comprehensive family plan as its bottom line. This family plan specifies what each family member must do to move the entire family to self sufficiency.

FDP emphasizes case management and a structured approach to ensuring that participants attain economic self-sufficiency.

FDP also sets a family cap; New Jersey was the first state to take such a step. This cap prohibits additional cash assistance benefits to parents for children who are born ten months after AFDC eligibility has been established.

At the same time, FDP rewards work and encourages families to stay together. For example, when an individual receiving AFDC marries someone who is not the parent of any of the children receiving AFDC, the children continue to be eligible for benefits as long as the total family income doesn't exceed 150 percent of the federal poverty level. We call this eliminating the marriage penalty.

We're looking closely at the effects of imposing the family cap and eliminating the marriage penalty. Rutgers University, in cooperation with the Department of Health and Human Services and the Kaiser Family Foundation, is conducting a comprehensive evaluation of these and other provisions.

We'll have the results of this study this year. Although our preliminary data analysis seems to indicate that the family cap has reduced the AFDC birth rate, we see the real intent of this provision as promoting parental responsibility.

We also taken another important step in the Family Development Program to help individuals to reach self sufficiency. We've extended Medicaid for 2 years after an individual leaves AFDC rather than 12 months as required by the federal government. We did this because we found that many more families—almost 20 percent more—were leaving AFDC for jobs that didn't provide health benefits.

We realize, however, that more needs to be done and, therefore, welcome the flexibility block grants afford the states to continue to fine tune their programs and learn from their reform experiences.

But, Chairman Kassebaum, you have also asked me to address the problems or issues we've encountered in implementing reform. Let me outline some of our findings and conclusions after a decade of reform:

- Change is difficult. Welfare recipients and caseworkers need to recognize that the "new way" of doing things is better than the old.
- Any new program must be designed in detail. Participants, caseworkers, and the community must understand, every step of the way, how individuals move through the system toward self sufficiency. We believe that this type of design is best accomplished at the state level.
- Given federal mandates, there's often insufficient lead time to put new programs in place. It takes time for a state to adjust to Federally-mandated welfare reform requirements.
- Many times mandated changes aren't acceptable or suitable for an individual state's needs. New Federal laws frequently impose complicated rules requiring major changes to existing state policies. States need the flexibility to individually tailor welfare reform to what each state believes will work best.
- Participants can get lost in the system if it's not designed properly. If the welfare system isn't involving the participant in a reform program quickly enough, the participant becomes less motivated and enthused about the program.

In New Jersey, we're addressing this issue through a one-stop shopping approach to services. FDP participants become part of a Family Resource Center, which brings together all the services participants need to get started on the road to self sufficiency. By providing quick, centralized access to services, the Family Resource Center ensures that our FDP participants don't get discouraged or lose their motivation.

- Every state-level department must be committed to the program and ready to provide the resources needed to make it work. Welfare reform must be a top state priority and requires the full involvement of other state departments—in education, health, housing, and labor.

- The planning process for welfare reform must be based on the makeup of the state's economy. For example, New Jersey is a high tech state, with a high tech economy. It's important that we offer our FIDP participants work related literacy and computer literacy training to get them ready to meet the demands of our high tech marketplace. In a successful welfare reform program the public and private sector need to coordinate their efforts in designing a menu of marketplace-specific education and training opportunities.
- Welfare reform requires states to revamp their automated systems to accommodate new eligibility and participation rules, and to ensure that there are extensive tracking and reporting requirements. These changes are expensive and time consuming.
- State plan requirements are overly prescriptive and burdensome. A state must produce mountains of materials describing its goals, policies and procedures to qualify for Federal funds. Block grants that result in more information gathering and reporting requirements will sap our ability to effectively reform welfare.
- The 1115 waiver process is a burdensome process with all of its documentation and reporting. It limits our ability to be creative and create change. For this reason, we support block grants as an approach due to the flexibility it offers.
- Child support is an essential element in welfare reform. Enforcing child support orders—within and among states—empowers families because it gives children what is rightfully theirs and calls on parents to fulfill their financial responsibilities to their children. Simply stated, child support payments can keep some families off welfare.

New Jersey ranks sixth in the nation in child support collections. Our legislature has enacted tough new laws that enforce child support orders. But these efforts can't be truly successful until all states work together to ensure that those who shirk their child support responsibilities don't find safe haven anywhere.

These are some of the areas in welfare reform that deserve greater attention. To these areas, I would add a few other observations on block grants.

Block grants to states will involve a series of challenges. While we strongly support the added flexibility a block grant offers, the House bill is still too prescriptive.

Counter-cyclical funding should be provided to the states as an add-on to the block grant and not as a loan. States should not have to accept all of the risk of a capped program since the national economy and other variables that affect the AFDC caseload are beyond our control.

We recognize that it is the intent of block grants to supplement the states' own "rainy day" funds but there's no guarantee that these rainy day funds will be sufficient when they're needed.

On the plus side, however, we support the bill's provision to set the unemployment rate at 6.5 percent for the trigger.

We also believe that programmatic restrictions should be eliminated. This would allow states the flexibility they need to reform welfare. In particular, we object to prohibiting the use of federal funds for minor children born out of wedlock to mothers under age 18 and their mothers.

In New Jersey, on any given month, about 1,200 cases fall under this category. The fungible nature of block grants will help us serve these youngsters, but won't eliminate the problem. We believe that there are other more cost-effective and appropriate ways to address teen-pregnancy such as requiring that all teens live at home with their parents and offering education, counseling and other services to prevent pregnancies.

In addition we oppose denying assistance in 41 federal programs to legal aliens. In New Jersey, if legal aliens become ineligible for AFDC many of them will simply become eligible for General Assistance at complete state and local expense.

We know of no data supporting the fact that many legal aliens abuse federal programs. While the fungibility of AFDC funds may help us to protect their benefits in this program, this would not apply to many of the other federal programs that are totally federally funded such as food stamps.

Members of the Committee, I'm confident that Congress will produce a welfare reform package that will address all the issues I've mentioned this morning. New Jersey's citizens and the entire American public expect to see change in the way we provide for those who need public assistance.

But the American public isn't opposed to welfare. It's opposed to those who abuse the system. Polls consistently show that the public is willing to spend more on programs that lead to work rather than dependency.

There's no best way to reform welfare. New Jersey has found that its approach works for New Jersey. Other states may find solutions that work as well or better as those I've described. But all states have the same goals in reforming welfare: supporting families and children, ensuring that everyone who can work does work, and investing in our nation's future.

New Jersey stands ready to offer its help and expertise in helping achieve these goals.

Thank you for the opportunity to testify today.

PREPARED STATEMENT OF LAWRENCE E. TOWNSEND, JR.

GENERAL COMMENTS

GOOD MORNING, HONORABLE CHAIRMAN KASSENBAUM AND MEMBERS OF THE LABOR AND HUMAN RESOURCES COMMITTEE. IN CALIFORNIA, THE JOBS PROGRAM IS CALLED GAIN, WHICH STANDS FOR GREATER AVENUES FOR INDEPENDENCE. RIVERSIDE IS ONE OF THE COUNTIES INCLUDED IN THE MANPOWER DEMONSTRATION RESEARCH CORPORATION (MDRC) STUDY OF CALIFORNIA'S GAIN PROGRAM. THE SEPTEMBER 1994 MDRC REPORT INCLUDES THE STATEMENT THAT RIVERSIDE COUNTY'S GAIN PROGRAM "PRODUCED THE MOST IMPRESSIVE RESULTS EVER FOUND FOR A LARGE-SCALE WELFARE-TO-WORK PROGRAM."

BEFORE SHARING WITH YOU WHAT IS UNIQUE ABOUT RIVERSIDE'S GAIN PROGRAM AND HOW OUR SUCCESS CAN BE TRANSLATED TO THE JOBS PROGRAM, I WOULD LIKE TO SPEAK BRIEFLY ABOUT THE SEPTEMBER 1994 MDRC REPORT AND THE IMPORTANCE OF THE JOBS PROGRAM AS PART OF WELFARE REFORM.

ONE IMPORTANT RESULT DISCUSSED IN THE REPORT IS THAT OVER THE THREE YEAR PERIOD OF THE STUDY, MDRC FOUND THAT SINGLE PARENT FAMILIES RECEIVING GAIN SERVICES IN RIVERSIDE COUNTY HAD 49% MORE EARNED INCOME THAN THOSE IN THE CONTROL GROUP WHO DID NOT RECEIVE GAIN SERVICES AND THAT THEY HAD ALSO RECEIVED 15% LESS IN AFDC PAYMENTS. ADDITIONAL DETAIL IS AVAILABLE BY REVIEWING THE MDRC TABLES WHICH FOLLOW MY WRITTEN COMMENTS.

ANOTHER IMPORTANT RESULT IN THE REPORT IS A BENEFIT-COST ANALYSIS WHICH SHOWS WHAT MDRC CALLED AN "EXCEPTIONALLY LARGE" RETURN ON INVESTMENT IN RIVERSIDE'S GAIN PROGRAM FROM THE PERSPECTIVE OF THE GOVERNMENT BUDGET. THIS RETURN WAS \$2.84 FOR EACH NET DOLLAR INVESTED FOR SINGLE PARENT FAMILIES, WHICH MAKE UP OVER 80% OF THE AFDC POPULATION, AND \$1.61 FOR EACH NET DOLLAR INVESTED FOR TWO PARENT FAMILIES.

AS IMPORTANT AS THE RESULTS JUST DESCRIBED ARE THE LESSONS WHICH WE CAN LEARN ABOUT WELFARE-TO-WORK PROGRAMS BY EXAMINING THE SUCCESS OF RIVERSIDE'S EMPLOYMENT-FOCUSED GAIN PROGRAM. THESE INCLUDE:

- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE COST EFFECTIVE
- o A LOWER CASELOAD DOES NOT NECESSARILY LEAD TO BETTER RESULTS

- o LONG-TERM WELFARE RECIPIENTS DO NOT REQUIRE LENGTHY AND COSTLY PROGRAMS TO ENTER EMPLOYMENT
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL FOR AFDC RECIPIENTS WITHOUT TARGETING ANY CLIENT GROUPS
- o SUCCESS OF AN EMPLOYMENT-FOCUSED PROGRAM IS NOT INHIBITED BY A HIGH LOCAL UNEMPLOYMENT RATE
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL ACROSS ETHNIC GROUPS
- o SUCCESS IN AN EMPLOYMENT-FOCUSED PROGRAM IS GREATER AND MORE COST EFFECTIVE WITH SINGLE PARENT FAMILIES ON AFDC THAN WITH TWO PARENT FAMILIES ON AFDC
- o A SUCCESSFUL EMPLOYMENT-FOCUSED PROGRAM DOES NOT ELIMINATE THE NEED FOR AFDC

AS SUCCESSFUL AS RIVERSIDE'S PROGRAM IS, IT IS LIKELY THAT IT WOULD BE EVEN MORE SUCCESSFUL IF AFDC RECIPIENTS HAD NOT HAD THE EMPLOYMENT DISINCENTIVE OF A 4-MONTH LIMIT ON THE AFDC EARNINGS EXEMPTION AND IF GAIN PARTICIPANTS HAD NOT HAD THE OPTION, AS A RESULT OF STATE STATUTE, TO DEFER THEIR PARTICIPATION BY WORKING AS LITTLE AS 15 HOURS A WEEK.

SINCE THE END OF THE STUDY PERIOD, CALIFORNIA HAS ELIMINATED THE 4-MONTH LIMIT AND MADE OTHER CHANGES TO REDUCE THE WORK DISINCENTIVE IN THE AFDC PROGRAM. IN ADDITION, THE GAIN ADVISORY COUNCIL, CONVENED BY GOVERNOR PETE WILSON AND CONSISTING OF REPRESENTATIVES FROM COUNTY WELFARE DEPARTMENTS AND VARIOUS STATE ORGANIZATIONS CONCERNED WITH CALIFORNIA'S GAIN PROGRAM, RECENTLY DEVELOPED 27 RECOMMENDATIONS FOR IMPROVING CALIFORNIA'S GAIN PROGRAM. I UNDERSTAND THE GOVERNOR'S STAFF IS PREPARING A PROPOSAL FOR CONSIDERATION BY THE STATE LEGISLATURE WHICH WOULD IMPLEMENT MANY OF THESE RECOMMENDATIONS, INCLUDING THE ELIMINATION OF THE 15-HOUR WORK DEFERRAL.

WELFARE REFORM AND THE JOBS PROGRAM

WHILE FOR SOME FAMILIES, AFDC IS A NECESSARY WAY STATION ON THE ROAD TO SELF SUFFICIENCY, FOR OTHERS IT IS A STEP TOWARD LONG TERM WELFARE DEPENDENCY. IN SOME CASES, THAT WELFARE DEPENDENCY LASTS FOR GENERATIONS.

WHILE I AM PREPARED TO SHARE WITH YOU WHATEVER DETAIL YOU DESIRE REGRADING RIVERSIDE COUNTY'S PERSPECTIVE ON WELFARE REFORM, I WILL LIMIT MY COMMENTS TO THE IMPORTANCE OF THE EXISTENCE OF A FEDERALLY MANDATED, PROPERLY FOCUSED, AND ADEQUATELY FUNDED JOBS PROGRAM. IF DESIGNED PROPERLY, THE JOBS PROGRAM CAN BE ONE OF THE BEST VEHICLES FOR ASSISTING THOSE WHO ARE AFDC-DEPENDENT TO SUCCESSFULLY TRAVERSE THE ROAD TO SELF SUFFICIENCY.

A WELL DESIGNED JOBS PROGRAM SHOULD:

- o REQUIRE THE PARTICIPATION OF ALL ABLE ADULT AFDC RECIPIENTS,

- o SET CLEAR PERFORMANCE STANDARDS, BASED ON OUTCOMES RATHER THAN PROCESS, AND PERHAPS MOST IMPORTANTLY,
- o BE FOCUSED ON AFDC RECIPIENTS SECURING PAID EMPLOYMENT AS QUICKLY AS POSSIBLE.

SUCH A SYSTEM CAN BE COST EFFECTIVE AS DEMONSTRATED IN RIVERSIDE COUNTY'S GAIN PROGRAM.

RIVERSIDE COUNTY'S GAIN PROGRAM

WHILE I DO NOT PROFESS THAT RIVERSIDE COUNTY HAS A FINAL SOLUTION TO WELFARE DEPENDENCY, I DO BELIEVE THE DESIGN AND IMPLEMENTATION OF GAIN IN RIVERSIDE COUNTY INCORPORATES APPROACHES WHICH CAN BE DUPLICATED AT OTHER SITES AND WHICH MAY LEAD TO THE KIND OF SUCCESS DOCUMENTED BY THE MDRC STUDY. BECAUSE IMPLEMENTING LEGISLATION FOR CALIFORNIA'S GAIN PROGRAM GAVE CONSIDERABLE DISCRETION TO INDIVIDUAL COUNTIES REGARDING HOW TO OPERATE GAIN, RIVERSIDE COUNTY'S PROGRAM WAS RELATIVELY DISTINCT AT ITS INCEPTION FROM OTHER GAIN PROGRAMS IN CALIFORNIA.

I BELIEVE SEVERAL THINGS HAVE CONTRIBUTED TO RIVERSIDE'S SUCCESS. FIRST, IS THE UNDERLYING PHILOSOPHY AND IDEOLOGY. SECOND, IS A SET OF THREE KEY PROGRAM ELEMENTS WHICH CAN BE DUPLICATED ELSEWHERE. THIRD, IS A BRIEF LISTING OF LEADERSHIP TECHNIQUES WHICH CAN BE USED TO EMPOWER STAFF.

PHILOSOPHY AND IDEOLOGY

THERE IS A FOUNDATION OF BELIEFS UPON WHICH THE EMPLOYMENT FOCUSED PROGRAM IN RIVERSIDE COUNTY IS BASED. THESE INCLUDE THE FOLLOWING.

- o WORK IS INHERENTLY GOOD FOR INDIVIDUALS AND EACH DAY IN EMPLOYMENT IS A GOOD DAY

EMPLOYMENT PROVIDES INDIVIDUALS WITH: PRIDE IN EARNING ALL OR PART OF THEIR SUPPORT; AN OPPORTUNITY TO DISCOVER UNSUSPECTED ABILITIES AND SKILLS; A CHANCE TO BE A BETTER ROLE MODEL FOR THEIR CHILDREN; AND, HOPE FOR A BETTER FUTURE.

- o THERE IS NO MAGIC BULLET OR ULTIMATE JOB FOR EACH CLIENT

EARNINGS FROM THE STARTING WAGE LEVEL OF A JOB SHOULD NOT BE COMPARED WITH THE WELFARE PAYMENT LEVEL TO DETERMINE WHETHER THE JOB SHOULD BE ACCEPTED. THE INITIAL HOURLY WAGE ON THE FIRST DAY OF EMPLOYMENT IS JUST THE BEGINNING OF OPPORTUNITY. THE IMPORTANT STORY IS THAT THE NEW EMPLOYEE HAS A CHANCE TO LEARN, DEVELOP, DISCOVER ABILITIES, PROVE HIS OR HER WORTH TO AN EMPLOYER, EARN PAY INCREASES AND PROMOTIONS, OR MOVE ON TO ANOTHER JOB.

IN AMERICA'S PAST THERE WAS A BELIEF THAT IF YOU WORKED HARD, DID GOOD WORK, AND WERE RELIABLE, YOU WOULD EVENTUALLY PROSPER. THIS BELIEF IS STILL VALID TODAY. PROOF OF THIS IS EVIDENT IN THE SUCCESS OF OUR GAIN CLIENTS.

- o EMPLOYMENT IS A GRADUAL SOCIALIZATION PROCESS

EMPLOYMENT, HOWEVER MODEST, TEACHES AND REINFORCES VERY BASIC, YET ESSENTIAL, SKILLS NECESSARY FOR ACQUIRING AND RETAINING EMPLOYMENT THAT MANY PEOPLE TAKE FOR GRANTED BUT NOT ALL OF US HAVE, SUCH AS: SETTING THE ALARM CLOCK; GETTING TO WORK ON TIME; ACCEPTING SUPERVISION; LEARNING TO COMPLETE TASKS RELIABLY; GETTING ALONG WITH COWORKERS; AND, DRESSING APPROPRIATELY FOR WORK.

IF AN INITIAL JOB PLACEMENT IS NOT SUCCESSFUL, IT IS NOT VIEWED AS A FAILURE IN OUR GAIN PROGRAM, BUT, RATHER, IS EXAMINED AS AN OPPORTUNITY RICH WITH LESSONS REGARDING HOW THE GAIN PARTICIPANT MIGHT BE SUCCESSFUL IN THE NEXT JOB.

- o ALL INDIVIDUALS HAVE PROMISE, ABILITIES, AND POTENTIAL FOR A NEW FUTURE

MOST AFDC CLIENTS DO NOT WANT TO BE ON AFDC. RATHER THAN BE LABELLED AND PLACED IN CATEGORIES OR TARGET GROUPS, ALL AFDC CLIENTS SHOULD BE EQUALLY SERVED BY THE JOBS PROGRAM AND EFFORTS SHOULD BE MADE TO MOVE ALL AFDC CLIENTS INTO EMPLOYMENT AND OUT OF WELFARE DEPENDENCY AS SOON AS POSSIBLE.

- o MORE AFDC CLIENTS CAN BE SERVED IF EACH CAN BE SERVED LESS EXPENSIVELY
THE "PARETO PRINCIPLE", ESPOUSED BY NINETEENTH CENTURY ECONOMIST VILFREDO PARETO, IS THAT, IN ANY HUMAN ACTIVITY, PEOPLE SPEND ONLY 20% OF THEIR TIME DOING WORK WHICH YIELDS 80% OF THE RESULTS. IN RIVERSIDE COUNTY, WE APPLY THIS CONCEPT BY FOCUSING OUR EFFORTS ON THE ACTIVITIES WHICH ARE MOST LIKELY TO RESULT IN OUR CLIENTS OBTAINING PAID EMPLOYMENT.

BY COMBINING THE "PARETO PRINCIPLE" WITH THE PHILOSOPHY OF ACHIEVING THE GREATEST GOOD FOR THE GREATEST NUMBER, WE ARE LIMITING OUR EXPENDITURES PER INDIVIDUAL BY MOVING CLIENTS THROUGH OUR SYSTEM MORE QUICKLY THEREBY ENABLING US TO ASSIST A FAR GREATER NUMBER OF CLIENTS IN ACHIEVING A FUTURE OF PAID EMPLOYMENT.

- o SOME CLIENTS NEED MORE ENCOURAGEMENT THAN OTHERS TO PARTICIPATE

SOME AFDC CLIENTS RESIST PARTICIPATION IN GAIN. FOR SOME OF THESE AFDC CLIENTS, ONCE THEY UNDERSTAND THEIR PARTICIPATION IS MANDATED, THEY DIVE INTO THE PROCESS WHOLEHEARTEDLY. SOME OF OUR MOST INTERESTING SUCCESS STORIES ARE INDIVIDUALS WHO WERE INITIALLY HESITANT ABOUT PARTICIPATING.

A SMALL PROPORTION OF ABLE-BODIED AFDC CLIENTS BELIEVE SOCIETY SHOULD SUPPORT THEM. FOR THIS SMALL NUMBER, SANCTIONS MAY BE NECESSARY. IF, AFTER EXTENSIVE COUNSELLING, PLEADING, OFFERS OF ASSISTANCE IN PERSON, BY LETTER, AND BY PHONE, WE CONTINUE TO BE MET WITH NON-COOPERATION, WE SANCTION THE RECALCITRANT CLIENTS. WHILE SANCTIONS ARE APPLIED TO ONLY A SMALL PROPORTION OF THE CASELOAD, THE EXISTENCE OF SANCTIONS IS IMPORTANT TO THE SUCCESS OF OUR APPROACH.

THREE KEY PROGRAM ELEMENTS

THERE ARE THREE MAJOR PROGRAM ELEMENTS WHICH ARE INSTRUMENTAL TO THE SUCCESS OF OUR PROGRAM.

EMPLOYMENT FOCUS:

ALL GAIN STAFF RECEIVE A STRONG AND UNEQUIVOCAL MESSAGE THAT THE PURPOSE OF THE GAIN PROGRAM IS TO ASSIST CLIENTS IN BECOMING EMPLOYED. GAIN COUNSELLORS ARE EXPECTED TO EACH MAKE 12 JOB PLACEMENTS PER MONTH.

OUR WORK WITH GAIN CLIENTS IS FOCUSED ON HELPING THEM LEARN TO UNDERSTAND THE BENEFITS OF WORKING, TO RECOGNIZE THEIR OWN VALUES AND ABILITIES, AND TO MARKET THEMSELVES. IN ADDITION, THEY ARE TAUGHT HOW TO LOCATE AND SECURE EMPLOYMENT INDEPENDENT OF OUR GAIN STAFF IN THE FUTURE.

PARTICIPATION:

GAIN CLIENTS ARE APPROACHED BY STAFF WITH THE OBJECTIVE OF SECURING THE CLIENT'S ENTHUSIASTIC PARTICIPATION. WE SELL THE CLIENTS ON THE BENEFITS OF PARTICIPATION AND THE SERIOUSNESS OF THEIR RESPONSIBILITY TO THEIR FAMILIES.

WE DO CONSIDER THEIR PARTICIPATION TO BE MANDATORY AND, IF NECESSARY, WE DO ENFORCE PARTICIPATION.

JOB DEVELOPMENT:

WE HAVE SPECIALIZED JOB DEVELOPERS AGGRESSIVELY INVOLVED IN LOCATING JOB VACANCIES AND RECRUITING EMPLOYERS. THE JOB DEVELOPERS VIEW BOTH THE POTENTIAL EMPLOYERS AND THE GAIN PARTICIPANTS AS THEIR CUSTOMERS. WE DO EXTENSIVE SCREENING OF GAIN PARTICIPANTS PRIOR TO REFERRAL IN ORDER TO ENSURE THE EMPLOYERS WILL CONTINUE TO PERCEIVE GAIN PARTICIPANTS AS A VALUABLE RESOURCE.

AS AN AUGMENTATION TO THE JOB DEVELOPERS, ALL STAFF, FROM THE CLERICAL LEVEL TO THE DEPARTMENT DIRECTOR, ACT AS VOLUNTEER JOB DEVELOPERS BY IDENTIFYING AVAILABLE JOBS IN THE COMMUNITY. IN ADDITION, AT ONE STAGE OF THE GAIN PROCESS, ALL PARTICIPANTS ARE WORKING TO IDENTIFY JOBS AVAILABLE IN THE COMMUNITY. IF THE JOBS THEY IDENTIFY ARE NOT SUITABLE FOR THEM, THEY MAKE THE INFORMATION AVAILABLE TO OTHER GAIN PARTICIPANTS.

SELECTED LEADERSHIP STRATEGIES

o LEADING BY EXAMPLE

FROM THE EARLIEST STAGES OF PLANNING FOR THE GAIN PROGRAM THROUGH TODAY, I VISIBLY DEMONSTRATED TO STAFF MY BELIEF IN THE VALUE OF EMPLOYMENT, IN THE GAIN PROGRAM AS A MEANS TO HELP AFDC CLIENTS BECOME EMPLOYED AND REDUCE THEIR DEPENDENCY ON WELFARE, AND IN THE CRUCIAL VALUE OF THE GAIN PROGRAM TO THE COMMUNITY.

SOME ACTIONS TAKEN TO ACCOMPLISH THIS OBJECTIVE INCLUDE ATTENDING STAFF TRAINING SESSIONS, MAKING REGULAR VISITS TO THE DISTRICT OFFICES, AND CHAIRING LARGE GROUP DISCUSSIONS ON THE GAIN PROGRAM WHERE WE DISCUSS THE VALUE OF THE PROGRAM TO THE PARTICIPANTS, TAXPAYERS, SOCIETY, AND FUTURE GENERATIONS.

o LEADING BY EXPECTATIONS

WHILE THE GAIN PROGRAM HAS MANY COMPONENTS AND PROCESSES, WE RECOGNIZE THEM AS THE MEANS AND NOT THE END. IN ORDER TO KEEP STAFF FOCUSED ON THE END GOAL, JOB PLACEMENTS FOR GAIN PARTICIPANTS, I ESTABLISHED WRITTEN PERFORMANCE STANDARDS IN WHICH JOB PLACEMENTS ARE THE PRIMARY MEASURE OF SUCCESS. WHILE I SET THE GOAL HIGHER THAN ANY OF THE STAFF THOUGHT REASONABLE, 12 JOB PLACEMENTS PER MONTH, THE VAST MAJORITY OF GAIN COUNSELLORS REGULARLY EXCEED THE STANDARD. IN ADDITION TO INDIVIDUAL STANDARDS, THE GAIN PROGRAM AS A WHOLE IS REQUIRED TO MAKE 9,000 JOB PLACEMENTS PER YEAR.

I ALSO ESTABLISHED AN EXPECTATION THAT STAFF HIRED IN GAIN WOULD HAVE SEVERAL IMPORTANT CHARACTERISTICS. THEY MUST BE TOP PERFORMERS FROM OTHER PROGRAMS; THEY SHOULD NOT HAVE HAD FAILURES IN THEIR OWN EMPLOYMENT HISTORY; THEY SHOULD BE WELL GROOMED; THEY SHOULD HAVE A POSITIVE AND ENTHUSIASTIC DISPOSITION. EXTENSIVE TRAINING IS PROVIDED FOR GAIN STAFF TO INCREASE THE LIKELIHOOD THEY CAN MEET THE PERFORMANCE EXPECTATIONS.

o LEADING BY GETTING OUT OF THE WAY

WHILE GAIN STAFF HAVE BEEN GIVEN CERTAIN PARAMETERS WITHIN WHICH THEY MUST OPERATE, THEY HAVE BEEN ENCOURAGED TO EXPERIMENT TO DETERMINE WHAT WORKS BEST FOR THEM AND TO SHARE THE RESULTS WITH OTHERS. THEY HAVE BEEN TOLD THAT THE BOTTOM LINE EXPECTATION IS JOB PLACEMENTS AND HAVE BEEN HELD ACCOUNTABLE FOR PRODUCTIVITY AND ACKNOWLEDGED FOR THEIR SUCCESS. RECOGNITION AWARDS FOR HIGH PRODUCTIVITY ARE USED EXTENSIVELY.

ATTACHMENTS:

- I. SUMMARY TABLES - SEPTEMBER 1994 MDRC REPORT
- II. JOB PLACEMENTS AND GRANT TERMINATIONS IN RIVERSIDE COUNTY

GAIN'S THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-FGs (SINGLE PARENTS)

County	Average Total Earnings			Average Total AFDC Payments		
	Experimentals (\$)	Controls (\$)	Difference (\$)	Experimentals (\$)	Controls (\$)	Difference (\$)
			Percentage Change			Percentage Change
Alameda						
Year 1	1421	1212	209	6916	7068	-150
Year 2	2132	1624	508 *	5816	6077	-261
Year 3	2860	2105	774 **	4861	5232	-371 **
Total	6432	4941	1492 **	17593	16375	-1182 *
Butte						
Year 1	2001	1729	272	5132	5486	-353 *
Year 2	2998	2442	556	3715	4048	-333
Year 3	3636	2992	647	2812	3101	-289
Total	8637	7163	1474	11059	12635	-976
Los Angeles						
Year 1	1304	1308	-4	6874	7202	-328 ***
Year 2	1899	1589	110	5711	6111	-400 ***
Year 3	1939	1786	153	4729	5006	-277 **
Total	4943	4683	260	17314	18319	-1005 ***
Riverside						
Year 1	2470	1550	920 ***	4962	5858	-895 ***
Year 2	3416	2233	1183 ***	3458	4161	-703 ***
Year 3	3562	2552	1010 ***	2864	3448	-584 ***
Total	9448	6335	3113 ***	11284	13267	-1983 ***
San Diego						
Year 1	2462	2113	349 **	5529	5832	-302 ***
Year 2	3503	2794	709 ***	4199	4679	-480 ***
Year 3	3821	3108	713 ***	3555	3908	-353 ***
Total	9786	8014	1772 ***	13283	14419	-1136 ***
Tulare						
Year 1	1792	1941	-149	6363	6231	132
Year 2	2536	2531	5	5118	5023	95
Year 3	3111	2594	518 **	4171	4264	-93
Total	7439	7066	374	15653	15538	114
All counties (a)						
Year 1	1908	1642	266 ***	5963	6246	-283 ***
Year 2	2714	2202	512 ***	4669	5017	-347 ***
Year 3	3159	2523	636 ***	3832	4163	-331 ***
Total	7781	6367	1414 ***	14464	15426	-961 ***

NOTE: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year.

Statistical significance levels are indicated as *** = 1 percent (the highest level), ** = 5 percent, * = 10 percent.

(a) In the all-county averages, the results for each county are weighted equally.

County	Average Total Earnings			Average Total AFDC Payments		
	Experimentals (\$)	Controls (\$)	Difference (\$)	Experimentals (\$)	Controls (\$)	Difference (\$)
Alameda (a)						
Year 1	--	--	--	--	--	--
Year 2	--	--	--	--	--	--
Year 3	--	--	--	--	--	--
Total	--	--	--	--	--	--
Butte						
Year 1	3026	2393	633 *	6523	6749	-226
Year 2	4033	2776	1257 ***	5246	5775	-529
Year 3	4752	3346	1406 **	5071	5071	-516
Total	11811	8515	3295 ***	16324	17595	-1271
Los Angeles						
Year 1	1480	1221	259 **	9440	9871	-431 ***
Year 2	1787	1468	319 *	8926	8926	-0
Year 3	1417	309	1108 **	7417	7759	-342 *
Total	4683	4108	575 **	25190	26438	-1248 ***
Riverside						
Year 1	9691	2930	6761 ***	4840	5807	-967 ***
Year 2	4038	3628	410	3892	4640	-748 ***
Year 3	9812	3478	6334 ***	3614	3964	-350 *
Total	11542	10036	1506 **	12346	14411	-2064 ***
San Diego						
Year 1	9331	3089	6242 ***	6790	7301	-510 ***
Year 2	4128	3978	150	5565	6197	-632 ***
Year 3	4144	4402	-258	5155	5339	-184
Total	11603	11469	134	17510	18837	-1327 ***
Tulare						
Year 1	2987	2961	26	7545	7523	23
Year 2	3721	3998	-277	6316	6261	54
Year 3	4121	4136	-17	5588	5600	-12
Total	10829	11097	-268	19449	19384	66
All counties (b)						
Year 1	2903	2519	384 ***	7026	7450	-422 ***
Year 2	3542	3170	372 **	5871	6340	-469 ***
Year 3	3711	3356	355 **	5266	5543	-277 ***
Total	10156	9045	1111 ***	18164	19332	-1168 ***

NOTES:

Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) Because of Alameda's small sample size for AFDC-U's, the estimates of its earnings impacts (\$762 for the three-year period, or a 24 percent increase over the control group average) and AFDC payments impacts (-\$103, or less than a 1 percent decrease) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(b) In the all-county averages, the results for each county are weighted equally.

AN OVERVIEW OF RIVERSIDE COUNTY GAIN JOB PLACEMENTS AND GRANT TERMINATIONS

DURING THE PERIOD JULY 1993 THROUGH JUNE 1994, RIVERSIDE COUNTY'S GAIN EXPENDITURES WERE \$10,217,849. DURING THIS PERIOD, THERE WERE

7,084 GAIN JOB PLACEMENTS AT A COST OF \$1,442 PER PLACEMENT

1,929 GAIN AFDC GRANT TERMINATIONS AT A COST OF \$5,297 PER TERMINATION

AS A RESULT OF AN IN-DEPTH REVIEW OF ALL GAIN JOB PLACEMENTS IN TWO CONSECUTIVE MONTHS THOUGHT TO BE TYPICAL DURING THIS PERIOD, IT WAS FOUND THAT:

AFDC TERMINATION OCCURRED WITHIN THREE MONTHS OF JOB PLACEMENT FOR 27% OF THE CASES

AFDC TERMINATION OCCURRED WITHIN TWELVE MONTHS OF JOB PLACEMENT FOR 58% OF THE CASES

BY USING RIVERSIDE COUNTY'S GAIN IMPACT TRACKING SYSTEM, IT WAS FOUND THAT:

TWELVE MONTHS AFTER AFDC TERMINATION, 68% OF THE TERMINATED CASES REMAINED OFF AID

PREPARED STATEMENT OF GLADYS MARISSETTE

As tax paying citizens we know that the welfare system in this country is in need of repair, We hear to often the stories of how billions of tax dollars are being wasted. So do we simply cut the system? Or do we stop and evaluate to come up with some alternative solutions that will make social services work for tax payers as well as clients.

Yes the welfare system as we see it is in need of reform as everyone is talking about, however can we simply take away something that is so vital to those who truly need it. We must realize that there is no "Iron Clad" way of supervising a problem free assistance program, welfare needs to be reformed in such a way that a win-win situation is created for all parties concerned -

recipients, tax payers and government. On an average the opinion of the recipients is "Why Should I Work"... "The state provides adequate funding and an excellent benefit package!!" So it all comes down to the packaging of this product. What do we have to offer the individual? We need to revise a plan that will enable those who are able to work to get out into the workforce again. Under the current system we have nothing to offer the individual. If you look at what is available to the unskilled laborers, minimum wage does not sound all that great to a family with children who needs medical care as well as food stamps. There needs to be something more attractive to the eye to entice the individual. On an average if the government would match on a dollar for dollar basis what the employers are offering and continue the medical plan for at least a year, it would allow most individuals an opportunity to become self-sufficient.

Most people do not realize the impact that welfare has to offer it's clients. If you stop and look at the organization as a whole you somehow visualize that person in the grocery store with several children, and a basket full of groceries, you also reflect to the fact that you are stuck in line behind this individual, and that they are using food stamps to purchase such an enormous amount of food that you yourself may not be able to purchase. This automatically entitles you to an opinion (either positive or negative) of the valuable tax dollars you may be spending on such a cause.

This is the average opinion of society when they encounter an individual or recipient of state fundings. However it is a very sad display of the picture that has been painted regarding such a wonderful cause... Have we totally lost sight of what welfare is for? Stop and think about it. There are children ^{who} that are able to eat because of your tax dollars: there are parents who are able to go to work because of transportation allowances and having the security of dependable child care provided by the state. ^T This will enable them to eventually become self-sufficient. How wonderful that is... Have we grown so cold as a society that this is no longer of any importance? I'm not here to paint a pretty picture for SRS, I'm here because I know of the opportunities that lie within this organization, I know of the struggles that many clients ^{and} face, I've seen first hand the day to day situations that take place, and I can honestly say that the organization as a whole is much more than Foster care, medical assistance, much more than child care or transportation allowances. For those of you ^{who} that have viewed welfare as simply a monthly check and food stamps, I can honestly say you have drawn the wrong conclusion. Welfare is about people, working with the community to provide adequate services and to aid the community where needed. We the fortunate ones should do everything in our power to see that this commitment

is accomplished. I would like to share with you my encounter with SRS, when finished I hope you'll understand why I get so excited about the success stories of clients changing their perspectives and taking charge of their lives. Several years ago my family moved to Topeka, into an area that I would now call poverty stricken and gang related. Nothing about the environment that surrounded me was at all pleasing, it was during that time that I was introduced to a program called KANWORK, I recall listening to the worker give me information about the program and given the situation that I was in it almost seemed impossible. You have to actually be involved in this type of a crisis to truly understand the mental anguish and the feelings of hopelessness one faces in this type of a situation. As I continued to listen to this man attempting to paint me a pretty picture of what could be possible, I began to see a touch of hope for my life, a possibility for change. You must realize no one plans to be broke, no one wants to be without food, or transportation, or the finer things in life that so many of us take for granted!!! I recall my biggest concern was my children, and when he spoke of the child care provisions that the state would allow, I was immediately sold on the concept that I could accomplish just about anything. What most people don't understand is the fact that young mothers do not want to leave their children, but with the assurance that their safety and well-being is taken into consideration, they become more receptive to change. I was given information about another program called OTAP (office training assessment program). From that point on I was given information regarding the requirements although it seemed as though it took forever, the time eventually came, I remember how excited and nervous I was all at once. I remember going to Washburn University and feeling as though I was really preparing for my future. Throughout the duration of my schooling the KANWORK staff continued to work with me, they provided transportation allowances and child care. When I finally got to a point where the instructors felt like I had established all the credentials for success I was slowly but surely sent out into the community to seek my profession. As I look back today, I think of how truly blessed I was to have such a wonderful opportunity. I know that I am successful not only because of my perseverance, or because I feel I'm better than anyone else, but simply because someone cared enough about me, to give me all the information of what SRS was truly about. With that in mind, regardless of whatever reform package is selected and whatever decisions are made at the federal level we need to take into consideration the necessities for human survival. I like many other mothers was not willing to lose my children's health benefits at the risk of accepting a few extra dollars with no health insurance. Call me a statistic if you must, but I'm proud to stand before and give support to such a wonderful organization. Thank you for the opportunity to stress my views before you today.

PREPARED STATEMENT OF JANET SCHALANSKY

Madam chair and members of the Committee, thank you for this opportunity to speak before you today about the impact of welfare reform on children and families. The Kansas Department of Social and Rehabilitation Services is actively seeking to reform the way we serve children and families in need and appreciate the chance to tell you about our welfare reform proposal.

Before SRS began drafting its welfare reform proposal, we took a long, hard look at the current system and the way we were doing business. To see the complete picture, we asked for the opinions and suggestions of those who know the system best:

- We talked to recipients. Through a series of public hearings across the state, we talked to hundreds of recipients
 - grandmothers raising their children's children;
 - a young father just laid off from his job as a carpet layer who, with his family (including a feverish toddler) was living in their car in the heat of a Kansas summer;
 - teen mothers struggling to find safe, affordable child care and reliable transportation so they could return to school, find a job and live without the help of the state's welfare.

These and the many others were representative of the 87,600 Kansans who rely on social services each month. Of those recipients, nearly 60,000 are children.

- We met with community leaders and state legislators to ask for their help locating community resources.
- We listened to helping agencies tell us what needs could not be met as they delivered the myriad of community services needed by low-income families.
- And, we asked our staff, field staff and policy staff, for the benefit of their experience working with low-income families:
 - We talked to staff members who must tell a single unemployed mother that because she owns a 1988 car valued at \$2000 her family is not eligible for AFDC.
 - Staff members who must deny benefits to a family because their child is saving the money he earns from his paper route so

he can get training beyond high school. Current policy requires us to count that money as a family resource and makes the family ineligible for assistance.

Several themes surfaced during this introspective look at our assistance programs. We found many of the policies that governed eligibility did not support the SRS mission of enabling and empowering families. Inconsistencies between programs made it difficult for staff to determine eligibility and were perceived by the public and recipients as unfair, bureaucratic and illogical.

We also confirmed a number of myths surrounding the welfare system and the people who depend on it for support. In contrast to popular public opinion, the average Kansas family receiving AFDC benefits is a single parent (usually a mother) with two children. This family could receive a maximum cash assistance grant of \$403 a month and up to \$292 in food stamps for a total of \$695 a month which is well below the federal poverty level of \$1,049 for a family of three.

That monthly amount increases by only \$60 a month, or \$15 a week, for each additional member of the household. This ran contradictory to the myth that welfare families continue to have children for the extra money.

The current policies, pieced together over the years by the state and federal governments, have created a patchwork system that:

- makes a person ineligible for cash assistance if they accept a minimum wage job although there is no medical insurance for the employee or their children.
- expects people to go to work but then takes away one dollar in benefits for every dollar earned after allowing for \$90 in work expenses, making it difficult, if not impossible, for the family to get ahead.
- pays \$300 to \$400 a month to families to care for foster children in their home, but the child's portion of the AFDC grant, which helps keep families together in their own home, is less than \$150 a month.
- Requires a recipient to cooperate with child support enforcement to receive AFDC but is not required for Food Stamps or Medicaid.
- Denies states the ability to make AFDC and Food Stamp policies such as work-related requirements uniform to simplify administration and save money.

We used the information we gathered from recipients, staff, service providers and the public to frame our welfare reform proposal, *Actively Creating Tomorrow (A.C.T.) for Kansas Children and Families*. Keeping in mind what we had learned, we proposed changes that would:

- Reward and encourage employment
- Promote personal and parental responsibility
- Simplify program administration

The proposed changes in our welfare reform initiative will ^{be} effect families receiving:

- AFDC
- Employment Preparation Services (JOBS)
- Food Stamps
- Medicaid
- Child Support Enforcement

The 1994 Kansas Legislature studied welfare reform, made some modifications to the original proposals and passed legislation that allowed SRS to seek waiver approval for those components that need to be addressed at the federal level.

The result was a proactive package that went beyond the traditional focus of welfare reform. With its 36 pending waivers, the Kansas welfare reform proposal has been called one of the most complex and comprehensive packages to date.

The Kansas proposal will be cost neutral over five years and includes an aggressive evaluation component that will collect data during those five years. The final evaluation will be due within one-year after the completion of the project.

By consolidating program eligibility requirements and making them consistent among the programs, we believe we place the cornerstone of a new system of support that strengthens Kansas families and enables them to be self-sufficient.

This process hasn't been easy nor will it be. If we are to live up to our mission of strengthening Kansas families by helping them become self-sufficient then we must change the way we do business.

Approval of all waiver elements will require a spirit of collaboration among all federal agencies and the State. With the help and support of

federal agencies, such as the Administration for Children and Families, we hope to begin training staff and implementing the changes soon.

But change is often difficult. As economist John Maynard Keynes once noted, "the difficulty is not so much in developing new ideas as in escaping from the old ones."

To do this, we must develop a shared picture of the future that fosters genuine commitment and involvement rather than compliance. This vision of providing a safety net for children and their parents needs to be developed cooperatively at the local, state, and federal levels.

We are facing tremendous challenges and exciting opportunities to make meaningful reform within welfare system. Changes that will:

- make the system more efficient;
- guarantee that benefits are available to those who need them most;
- to reduce the public stigma of needing a helping hand.

On behalf of the State of Kansas, I thank the committee and Sen. Kassebaum for your interest in the health and well-being of children and families and for the opportunity to meet with you today.

STATE OF KANSAS



SRS Central Office:
Office of the Secretary
915 SW Harrison, Rm 403 N
Topeka, KS 66612
(913) 296-3271

1990 County Demographics

Population	2,477,574
Under 18	662,002
18-64	1,473,164
65 Plus	342,408
Male	1,214,860
Female	1,262,714

Average Daily Census

	FY 1993	FY 1994
KNI	308	290
LSH	424	394
OSII	243	212
PSII	258	233
RMIIIF	44	34
TSII	271	238
WSII	331	310
YCAA	88	92
YCAC	80	75
CSU	8	8
YCAL	76	72
YCAT	212	196

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Annual Expenditures

	FY 1993	FY 1994
CLIENTS RECEIVING CASH ASSISTANCE (Fiscal Year Average Per Month)		
Aid to Families with Dependent Children	87,403	87,600
Number of Children in Program	58,694	59,238
General Assistance	7,010	5,823
Refugee Assistance	304	235
	275,820	301,466
	240,956	250,875
	590,258,846	680,226,480

CLIENTS RECEIVING MEDICAL ASSISTANCE *

(Fiscal Year Unduplicated)	
Eligibles ****	
Recipients	
Major Categories of Service **	
Adult Care Home Recipients	19,224
HCBS Recipients	3,317
Inpatient Hospital Recipients	33,612
Outpatient Hospital Recipients	94,873
Pharmacy Recipients	175,865
Physician Recipients	202,083
	209,126

CLIENTS RECEIVING OTHER ASSISTANCE ***

(Fiscal Year Average Per Month)	
Food Stamps	185,079
Foster Care	4,762
Child Care	12,632
(Fiscal Year Unduplicated)	
Employment Preparation Services	8,197
LIEAP Summer	32,685
LIEAP Winter	102,777
Rehabilitation Services	10,758
Burial	965
	970
	2,182,885
	2,596,292
	6,763,961
	6,032,353
	\$846,188
	\$786,952

- * Does not include HIPPS, Medicare Buy-In or adjustments.
- ** Medical Assistance Recipients can be counted in more than one category of service.
- *** This is not an exhaustive listing of all programs available within SRS.
- **** Medical eligibles are unduplicated at the state level.

05-Dec-94

STATE OF KANSAS

AGENCY 628

	TOTAL EXPENDED		Final Expenditures	
	FY 1993	FY 1994	FY 1993	FY 1994
Expenditures from Program Detail (over)	\$985,178,278	\$1,101,808,913	\$846,421,875 *	\$956,748,173
Special Grants and other Program Expenditures **				
Imprst Funds	22,537,227	8,535,352	22,537,227	8,535,352
	4,615,749	4,722,067	4,615,749	4,722,067
Grants and Contracts	72,273,513	79,406,802	72,273,513	79,406,802
Area Office	117,100,557	124,650,187	117,100,557	124,650,187
Salaries and Wages	\$100,383,315	\$107,727,318		
Other Operating Expenditures	16,717,242	16,922,869		
Central Office				
Salaries and Wages	26,790,670	31,738,250	26,790,670	31,738,250
Other Operating Expenditures	55,346,763	64,153,198	55,346,763	64,153,198
Itclab Centers				
Salaries and Wages	3,905,035	4,003,692	3,905,035	4,003,692
Other Operating Expenditures	1,349,085	1,397,493	1,349,085	1,397,493
Institutions (State Hosp, Youth Centers) ***				
Salaries and Wages	139,980,287	140,382,262	139,980,287	140,382,262
Other Operating Expenditures	\$34,621,937	\$38,502,359	\$34,621,937	\$38,502,359
Grand Total Expenditures ****	\$1,462,801,102	\$1,599,300,575	\$1,150,340,475	\$1,275,355,214

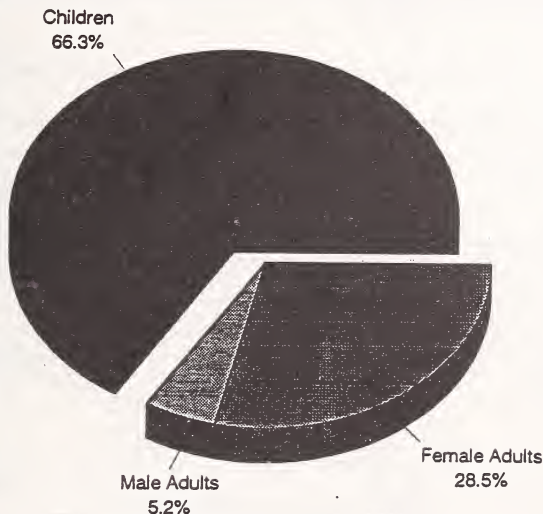
* Food Stamp Program not Budgeted by Agency 628
 ** Includes Grants for ADAS, Expenditures for Emergency Assistance, etc. FY 1993 expenditures corrected.
 *** Institutions not Budgeted by Agency 628
 **** Does not include transfers to institution money
 NOTE: Topeka VRU expenditures for FY 1993 were included with Institution expenditures.
 On this report Topeka VRU is included in Rehab. Centers expenditures for both FY's.

20-Dec-94

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Profile of AFDC Beneficiaries

- The average Kansas AFDC family consists of three family members, usually a single mother and two children
- The typical Kansas AFDC family receives an average monthly grant of \$348; about \$119 per family member
- 48% were either divorced or separated; 22% were married
- 78% had lived in Kansas for five or more years; only 2% had lived in the state for less than 6 months
- In the KanWork program 44% of the people had completed high school or had a GED
- Approximately 10% of our AFDC beneficiaries are currently working
- In an average month in fiscal year 1993 the AFDC program served 87,393 people of which 66% were children



Does it make Sense that . . .

- 80% of the children receiving AFDC benefits do so while their absent parents do not pay child support?
- Two AFDC families living separately each receive a shelter allowance of \$109 per month for a combined total of \$218, but when the two families move in together to economize, they are fiscally penalized and their combined shelter allowance drops to \$108?
- The state pays for thousands of teen births each year but does not have a statewide teen pregnancy prevention program?
- A person can quit a job and still be eligible for AFDC benefits?
- The state must go to court to establish the paternity of a child for a family on AFDC when it could be done at the hospital when the child is born?
- The money a child saves from a paper route could prevent the family from getting assistance?
- Owning a 1988 car worth only \$2,000 would prevent a family from getting AFDC benefits?

● The state expects people to go to work but would take away a dollar in benefits for every dollar a family earns after allowing \$90 for work expenses?

● A job at less than minimum wage with no medical insurance can make a family ineligible for assistance?

● The state provides only one year of medical assistance to help low income working families make the transition from welfare to work?

● People say Aid to Families with Dependent Children payments are too high when over 60,000 Kansas children living on AFDC are receiving benefits 59% below the federal poverty level?

● The state pays \$300 per month to care for a young child in a foster home, but a child's portion of the AFDC grant which helps keep families together in their own home is less than \$150?

LIST OF 1994 KANSAS WELFARE REFORM WAIVERS AND STATUS
02/24/95

Waiver #	Title	Summary	Status
1	Reward Earned Income (AFDC)	*Replace the \$30 + 1/3 time-limited earnings disregard with non-time-limited disregard equal to 40% of earnings after allowing for \$90 work expense deduction.	SRS is requesting a change in language on the Draft Terms & Conditions (T&C)
2	Exempt Children's Earnings (AFDC/Medicaid/Food Stamps)	*Exempt as income & resources earnings of children in school; * To further reduce disparity between AFDC and Food Stamps exempt the earnings of an AFDC child who is over 18 but will be graduating from High School prior to 19th birthday.	SRS is requesting separation of language in Draft T&C for both AFDC & FS - No problem for Medicaid
3	Exempt One Vehicle in All Public Assistance Programs (AFDC/Food Stamps)	*Exempt 1 vehicle without regard to equity or market value Exempt vehicles used as follows: over 50% of time to produce income; as home; or specially equipped for use by handicapped person.	No problem
4	Increase Transitional Medical Assistance (Medicaid)	*Increase transitional medical coverage from 12 to 24 months; *Remove quarterly reporting requirement & income & continuous employment tests; *Require 25% co-pay for months 13 to 24; *Continue assistance if child leaves household; *Persons shall be eligible for TransMed if eligibility for AFDC is lost due wholly or partly to earnings.	SRS is requesting a change in language on the Draft T&C
5	Redirect JOBS Resources and Limit Assistance (AFDC/JOBS)	*Completion of 30 mos. participation in JOBS shall result in the individual's needs being removed from the AFDC need standard. Income & resources will be considered in full; *Require a 3 yr. period of ineligibility following JOBS participation; *Eliminate 8 week Job Search participation limit; *Eliminate requirement to serve target groups; *Eliminate requirement to meet AFDC/JOB participation rates *Limit custodial parent participation requirements to teen parent program counties.	Discussion is still occurring
6	Modify and Expand Work Experience, Work Supplementation and On-the-Job Training Opportunities (JOBS)	*Allow supplemented jobs to be established, unfilled position vacancies.	11/2/94 - SRS agreed to withdraw the waiver and work through state plan changes
7	Remove the restrictions on Two-Parent Family Participation in the AFDC program (AFDC)	*Redefine "needy child" to exclude deprivation factors	No problem
8	Allow AFDC eligibility for needy pregnant women and fathers of the unborn (AFDC)	*Allow pregnant women who have no other children and the father of the unborn, if in the home, to qualify for AFDC beginning the first month of pregnancy, if otherwise eligible.	Draft T&C's were incomplete and SRS is submitting alternative language
9	Limit Assistance to Minors (AFDC/Food Stamps/Medicaid)	*Expand definition of specified relative to include guardian/conservator/legal custodian; *Provide assistance only to minors who reside with parent or other adult (relative/ guardian/conservator/legal custodian, unless minor has no living parent/guardian whose whereabouts are known; or lived apart from parent/ guardian for 1 year; or health/safety of minor would be jeopardized by remaining in household with minor's parent/ guardian; *Minor would not be allowed to apply for or receive Food Stamps on own behalf unless minor has no living parent/guardian whose whereabouts are known; has lived apart from parent/ guardian for 1 year; or health/safety of minor would be jeopardized by remaining in household with minor's parent/ guardian.	Draft T&C's were incomplete and SRS is submitting alternative language No information from Food Stamps, Medicaid will deny

Waiver #	Title	Summary	Status
10	Standardize Potential Employment Requirements (AFDC/Food Stamps)	<ul style="list-style-type: none"> *Both applicants and recipients subject to potential employment requirements (head of household designation would be eliminated for Food Stamps); *Only individual failing to meet potential employment requirement would be subject to penalty; *Penalty period would be 3 months for each occurrence. Eligibility can be re-established during penalty if became exempt; *Modification to good cause criteria; *Count as available in full the income & resources of individual who is sanctioned for remaining household members; however their needs would not be included in benefit standard. 	Draft T&C's need to clarify term "termination of employment" & SRS has submitted language. Also does not address Food Stamp waiver request.
11	Standardize Work-Program Requirements (AFDC/Food Stamps)	*Only individual is penalized for first 3 months. Eligibility can be re-established during first 3 months if individual cooperates or becomes exempt. If eligibility is not re-established, assistance for family is terminated.	Draft T&C's need some language change. SRS believes this waiver is still pending with FCS.
12	Expand Child Support Enforcement Requirements (AFDC/Food Stamps/Medicaid)	For all programs: *Parent/caretaker failing to cooperate with CSE (without good cause), would be removed from plan for up to 3 months. If parent/caretaker does not cooperate with CSE within 3 months, assistance case would be closed. During the sanction, individual's income & resources will be considered in full.	Draft T&C's need some language change. SRS believes this waiver is still pending with and FCS; Medicaid will deny.
13	Implement a Need Standard Cap (AFDC)	*Full, reduced, or no incremental increase in need standard provided based upon family composition at time of application.	Draft T&C's need some language change.
14	Providing incentives or penalties based on school attendance (AFDC/JOBS)	<ul style="list-style-type: none"> *Limit demonstration to 3 counties and allow JOBS federal funding for KanLearn participants under age 16; *Incentive payments considered earned income & exempt as income & resource; *School attendance may affect assistance payment. *Allow JOBS Federal funding for KanLearn participants under age 16. 	KanLearn - SRS is requesting modification of language in T&C's.
15	Establish Uniform Review Requirements (AFDC/Medicaid)	*The review period would be fixed period of eligibility.	Draft T&C's need (for AFDC & Medicaid) some language change.
16	Standardize Household Composition Changes (AFDC/Medicaid)	<ul style="list-style-type: none"> *The earliest individual would be added to assistance plan is 1st of month following month of report. *For Medicaid: Date individual is added shall establish date of application for purpose of establishing retroactive medical eligibility. 	Draft T&C's need (for AFDC & Medicaid) some language change.
17	Standardize Work Exemption and Good Cause Criteria (AFDC/Food Stamps)	<ul style="list-style-type: none"> *Eliminate limited work requirement for caretaker of child under age 6; *Food Stamps - persons under 19 must attend school full-time to be exempt; *Exemption for care of incapacitated person is limited to care for person in household; *1 exemption for care of child under age 6 is changed to care for child under age 3; *Eliminate receipt of Unemployment Compensation as an exemption; *Add exemption for remoteness; *Full-time employment defined as 30 hours & wages at least equal to federal minimum wage + 30 hours; *Eliminate exemption for students over 18. 	Draft T&C's need language clarification. SRS submitted changes, however the draft T&C's do not address the proposed changes in the work exemptions for the Food Stamp recipients.
18	Standardize Burial Exemption (AFDC/Food Stamps/Medicaid)	*Exemption of combined revocable and irrevocable burial funds shall be capped at \$8,000.	No problem for AFDC and Food Stamps. Medicaid will approve (02/12/95).
19	Standardize Penalties for Late Monthly Reporting (AFDC/Food Stamps)	*Apply reduction in benefits equal to 10% of AFDC need standard (& FS maximum allotment) when monthly report form submitted untimely (1-5), & without good cause.	No problem for AFDC. This issue is still pending for Food Stamps.
20	Exempt Interest Income (AFDC/Food Stamps/Medicaid)	*Exempt up to \$50 in interest income per month in the AFDC, Food Stamp, and Medicaid programs.	Draft T&C's need language clarification.
21	Disregard Lump Sum Income (AFDC/Medicaid)	<ul style="list-style-type: none"> Adopt FSI policy in AFDC & Medicaid which; *Exempt lump sum payments as income & considers as resource in months following month of receipt. 	No problem for AFDC or Medicaid.
22	Exempt Educational Income (Food Stamps)	*Food Stamps - exclude as income & cash asset any grant, scholarship or loan given for educational purposes.	SRS is requesting language changes in T&C's.
23	Modify Citizenship Declaration Requirement (AFDC)	The household member who signs the application certifies under penalty of perjury to the truth of the information concerning the citizenship or alien status of all household members for whom assistance is requested.	Can do this without a waiver.
24	Delay Requirements to Provide SSN for a Newborn Until Review (AFDC/Food Stamps)	*Delay proof of application for an SSN or reporting of new SSN for a newborn until next review.	AFDC was not addressed in the Draft T&C's. Otherwise no problem.

Waiver #	Title	Summary	Status
25	Eliminate Protective Payee Requirement in Penalty Situations (AFDC)	*Eliminate protective payee requirement in situations where parent is being removed due to sanction.	Draft T&C's need language clarification
26	Make Food Stamp Shelter Changes Prospectively (Food Stamps)	*Reflect shelter cost changes prospectively for benefit determination of monthly reporting/retrospectively budgeted households.	No problem
27	Clarify Definition of Homelessness (Food Stamps)	*Food Stamps - temporarily living in someone else's home shall be defined as no more than 2 months.	10/94 - Kansas is able to define "homelessness" without waiver
28	Eliminate Special Monthly Reporting Grace Period (Food Stamps)	No special exemption for submitting a late monthly report form will be provided to persons living on an Indian reservation.	No written information received from FCS
29	Collect Overpayments Caused by Administrative Error (Food Stamps)	*Food Stamps - Unless recipient chooses cash repayments, benefit reductions of 10% of allotment or \$10, whichever is greater, will be made to recoup agency error claims.	No written information or decision received from FCS
30	Deny Public Assistance to Fugitive Felons (AFDC/Food Stamps/Medicaid)	*Treat fugitive felons as sanctioned individuals - Count income in full for other household members. *For Food Stamps - same as above.	SRS response 01/11/95 - "The State understands this provision of our waiver request will not be approved and therefore withdraws the waiver".
31	Standardize Consideration of Sponsor's Income (Food Stamps/Medicaid)	*Consider the income & resources of a sponsor in determining eligibility for medical assistance. *Food Stamps - allow maximum earned income disregard of \$175 when calculating countable sponsor income & eliminate exemption of individual sponsored by organization/group.	Draft T&C's need language clarification FCS - still pending
32	Standardize Consideration of SSI Income (AFDC/Medicaid)	*Count income and resources of family members who receive SSI benefits. *Medicaid - Count income & resources of legally responsible household members who receive SSI benefits in determining spouse or children's eligibility for medical assistance.	AFDC - No problem? Medicaid - will deny
33	Establish a Uniform Intent to Return Policy (Medicaid)	*Property held outside of Kansas with intent to return residency shall be indication of non-residency unless bona fide effort to sell property is being made.	HCFA has been provided clarification but as of 02/22/95 - will deny
34	Recover client error and fraudulent AFDC, CSE overpayments using the Federal Tax Refund Offset Program (FTROP)	Federal authority required for either: * Kansas work directly with IRS recovering client error & fraudulent overpayments through FTROP; or * IRIS establish pilot program in Kansas on use of FTROP to recover client error & fraudulent overpayment.	SRS providing additional information to ACF
35	Statewide AFDC/Food Stamps/Medicaid/OBS	*Implement ACF's statewide except for maintenance of control groups in selected counties for evaluation purposes, pilot KanLearn program, which provides incentive penalties based on school attendance, in 3 counties only, limit custodial parent participation requirements to teen parent program counties.	No problem
36	Quality Control (AFDC/Food Stamps/Medicaid)	*Allow the eligibility of & amount of benefits for families participating in ACF/T, to be reviewed against the rules of demonstration in lieu of rules being waived.	ACF/HCFA - No problem Food Stamps - must wait until Terms & Conditions have been agreed to and waivers implemented - (must also significantly modify Food Stamp program rules)

Definitions:

AFDC - Aid to Families with Dependent Children and Title IV of the Social Security Act

ACF - Administration for Children & Families, U.S. Department of Health & Human Services

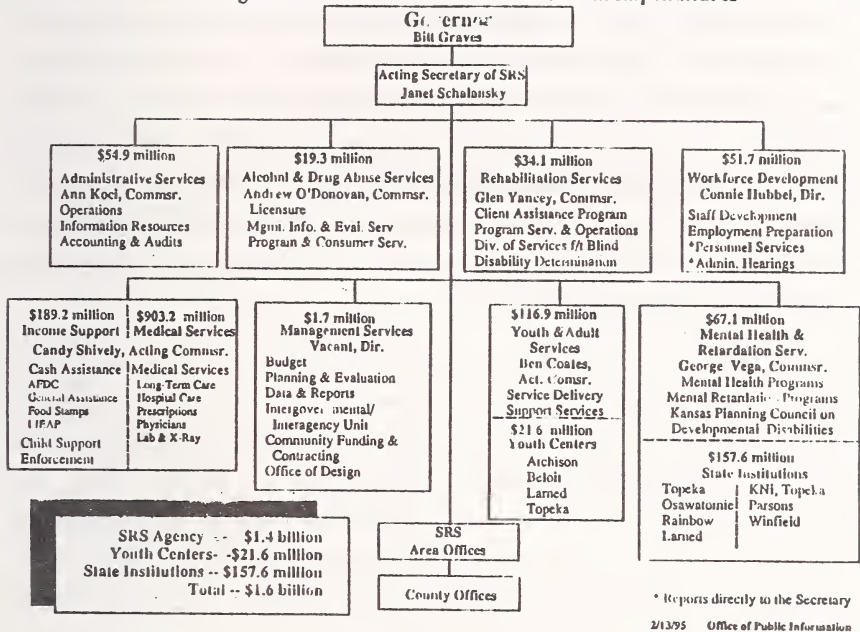
Medicaid - Title XIX of the Social Security Act

HCFA - Health Care Financing Administration, U.S. Department of Health & Human Services, Medicaid Bureau

T & C - Terms & Condition - the contract between ACF/HCFA/Food Stamps regarding the waiver process. This is an enabling document indicating only those provisions of the waiver that have been approved. The document will also detail the Evaluation, Cost Allocation and Cost Neutrality components.

Food Stamp Program - U.S. Department of Agriculture, Food and Consumer Services

SRS Organizational Chart and SFY 1994 Actual Expenditures

STATEMENT OF NOW LEGAL DEFENSE AND EDUCATION FUND¹

Women in the United States are disproportionately poor. Ninety percent of families on AFDC are headed by women; nearly half of those receiving general assistance under state-funded welfare programs are women.

Poor women and their children are also identical in many respects to the rest of the population. AFDC families average 1.9 children, the same size as the general population. Further, AFDC recipients are not likely to have a child in order to get additional welfare payments. According to Greg Acs of the Urban Institute, receipt of AFDC has a "quite modest" impact on first births and out-of-wedlock births, while other factors such as education and demographic characteristics are much more likely to significantly affect women's childbearing decisions. Gregory Acs, The Impact of AFDC on Young Women's Childbearing Decisions,

¹ NOW Legal Defense and Education Fund is a legal advocacy organization committed to protecting women's rights, founded by members of NOW in 1970. NOW LDEF is committed to fostering positive welfare reform that will enable women and their families to move up and out of poverty.

14, 21 (The Urban Institute, Washington, D.C., 1993). Further, Acs notes that the impact of supplemental AFDC for additional children on the decision to bear children is "statistically insignificant." Id. See also William J. Wilson & Kathryn M. Neckerman, "Poverty and Family Structure," in Sheldon H. Danziger & Daniel H. Weinberg, eds., Fighting Poverty: What Works and What Doesn't 249 (1986) (comprehensive studies reveal no relationship between receipt of welfare and pregnancy; in fact, several studies indicate that welfare recipients are less likely to get pregnant than non-recipients).

In short, "welfare simply does not appear to be the underlying cause in the dramatic changes in family structure of the past few decades." David Ellwood & Mary Jo Bane, The Impact of AFDC on Family Structure and Living Arrangements (Working Paper No. 92A082, 1984). See also Congressional Budget Office, Sources of Support for Adolescent Mothers 43 (1990) ([s]tudies of the effects of AFDC on the fertility of female teenagers find no evidence that benefit levels encourage childbearing").

Before rushing to judgment about why women and particularly women of color are more likely to be poor, Congress should examine the real lives of poor women. Rather than punishment masquerading as "tough love," welfare reform should ensure that these women are truly in a position to preserve their families, protect themselves, and move up and out of poverty.

AFDC and the state-level mother's pensions that preceded it were devised to help single women care for their children in the home. The alternatives at the time were poorhouses and orphanages, where children were raised in group settings and in dire poverty. Though the historic purpose of AFDC has sometimes been framed as keeping poor widows out of the workforce -- and indeed it was premised on a recognition of the value of mother's caregiving and the need for the state to stand in for the absent male breadwinner -- AFDC never fully replaced work in women's lives. Mother's pension payments and AFDC benefits were too small to raise a family. The program was frequently administered to deny benefits to poor women of color, who continued to work in low-paying jobs as domestics, seamstresses or transient farmworkers. Today, the

Institute for Women's Policy Research reports that about 50 percent of women on AFDC work outside the home either concurrently while receiving benefits, or during frequent stints in the workforce interspersed by short periods on AFDC. Roberta Spalter-Roth, Heidi I. Hartmann and Linda Andrews, A Report to the Ford Foundation from the Institute for Women's Policy Research, Combining Work and Welfare: An Alternative Anti-Poverty Strategy (1993). And of course, all women on AFDC are involved in caregiving work for their families.

In short, there is little evidence that AFDC has undermined women's work ethic. Indeed, states implementing welfare-to-work programs under the Family Support Act have been unable to keep pace with poor women's demand for job training. In Georgia, for example, the PEACH program had a waiting list of 17,000 AFDC recipients. What has too often been missing from the Family Support Act equation is good jobs, not women interested in working.

Though the AFDC program has not generally supplanted the work ethic, it has served a number of positive functions, some of which its original proponents anticipated and some which they did not. As it was intended to, AFDC has been central to efforts to support children within their families. In addition, despite onerous eligibility and reporting requirements, it has served as a necessary safety net for women who, despite admirable gains in the work force, still earn only \$.70 for each dollar earned by a man, and still suffer disproportionately when a marriage or relationship breaks up. Women almost always retain custody of the children, often bearing the sole cost of their upbringing. After a break-up, women must struggle to survive in a work world where women are disproportionately relegated to part-time, low-paying jobs without benefits, where even women who are able to earn enough to feed, clothe and house their families cannot afford childcare costs, and where most employers still assume that the employee's family care responsibilities are handled by a wife at home. Given these realities, it is hardly surprising that American women experience, on average, a 73 percent decline in their standard of living within the first year after divorce.

AFDC permits women to hold their families together in the face of these difficulties. Further, the AFDC safety net serves another crucial function: in this age when violence against women is finally being

recognized as a violation of women's civil rights, the AFDC safety net allows women and children to leave abusive relationships before fear for their very lives forces them to flee. See Martha F. Davis and Susan J. Kraham, Beaten, Then Robbed, New York Times, Jan. 13, 1995.

While violence against women has reached epidemic proportions in all sectors of the society, its role in the lives of poor women is devastating -- and unfortunately too little known. Indeed, even the General Accounting Office has stated that the extent to which domestic violence inhibits poor women's participation in the job market and in welfare job training and education programs "is generally unknown, and few accepted national estimates are available." General Accounting Office, Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment 12 (Dec. 1994).

There is, however, some data -- and it should certainly give pause to those who believe that welfare should be reformed by cutting these benefits that serve as a lifeline for abused women and children. In Washington, the only state to collect this information, 60 percent of women on public assistance reported sexual and physical abuse as adults, usually by a spouse or boyfriend. Washington State Institute for Public Policy, Over Half of Women on Public Assistance in Washington State Reported Physical or Sexual Abuse as Adults (Oct. 1993). Nationally, among all women, the figure is about 20 percent. A preliminary study of the effects of violence on work and family in Humbolt Park, Chicago, conducted by Northwestern University researcher Susan Lloyd, has yielded similar results: sixty percent of the poor women interviewed naming domestic violence and coercion as a factor influencing their lives and their labor force participation.

Violence affects poor women in two critical ways: it makes them poor and it keeps them poor. While remaining in abusive relationships, battered women are often subject to complete control and financial isolation by their batterers. Their economic vulnerability is exacerbated by their need to flee persistent and escalating violence. Women must frequently leave quickly and secretly without time to pack. Women of all income levels must leave everything behind. As a result, many women must escape and hide with very few resources, often consisting only of money that they have managed to scrape together over

long periods of time. Fleeing violence under these circumstances, women often experience extreme hardship and poverty. Indeed, approximately half of women in homeless shelters are battered. See Joan Zorza, Women Battering: A Major Cause of Homelessness, 25 Clearinghouse Rec. 421 (1991).

Violence against women keeps women poor, as well. A recent study conducted by the Taylor Institute in Chicago is a first step toward demonstrating the ways that violence inhibits or prevents poor women from participating in welfare-to-work programs, and ultimately from obtaining employment. Taylor Institute, Domestic Violence: Telling the Untold Welfare-to-Work Story (Chicago 1995). According to the study, 58 percent of women who entered the Chicago Commons West Humbolt Employment Training Center, a welfare-to-work program, between 1993-1994 were current victims of domestic violence. An additional 26 percent were past victims of domestic violence. Again, the results of this study are confirmed by others across the country. The Women's Employment Network in Kansas City, Missouri, reports that 75-80 percent of its participants self-report domestic violence during the course of its program. According to Sue Boyd at the Denver Family Opportunity Program, domestic violence is the "biggest issue for successful transition into the workplace." See Taylor Institute, Domestic Violence, at p. 4.

The stories of program participants themselves make clear how big a hurdle domestic violence can be for a woman who wants to move out of poverty. Job training participants report that they cannot come to basic skills classes regularly because their attendance provokes violent behavior against them. Staff making home visits to participants who have dropped out of programs find women with visible bruises, black eyes and cigarette burns. One researcher reported that, when she convened a focus group of program administrators to discuss barriers to employment, they overwhelmingly identified violence against women as the major problem. According to a focus group participant, it was "typical" to see a woman come to her first or second training session with a black eye, then drop out of the program entirely.

These realities of women's lives suggest the need for welfare reform proposals that are quite different than those currently under consideration in Congress.

First, rather than focus on measures that punish children for their birth status, sound public policy should focus on alternatives that will provide long-term options for poor women. Our education system fails to fully meet the needs of women and girls, especially those from low-income families. Research shows that most teen parents were performing poorly in school prior to their pregnancy. Poor grades, dropping out, and low self esteem have all been linked to sex-biased stereotypes as well as teen pregnancy. Policymakers should focus on positive programs to encourage women and girls to achieve by providing viable training and job opportunities, the possibility of a college education, and resources to enhance child and youth development. Access to non-coercive family planning counselling should also be a component of a comprehensive welfare reform program. Programs that allow women to combine work, welfare and other sources of income as a way of making the transition out of poverty are also promising and should be included in any welfare reform package. See generally Manhattan Borough President's Office, Report of the Task Force on Family Violence, Behind Closed Doors: The City's Response to Family Violence 79-86 (New York 1993) (describing difficulties facing battered women trying to subsist on public assistance).

Second, one of the key problems currently facing battered women on AFDC is the risk of sanctions of reduced benefits if they report that they have a partner; the partner's income may, under certain circumstances, be attributed to the woman and her children, even if the partner does not contribute to their household. Reform is clearly necessary to ensure that unfair reporting rules do not serve as a deterring to reporting violence.

Third, welfare-to-work programs should be designed to provide support for women experiencing violence. For example, the Family Support and Education Center in Cecil County, Maryland, persuaded the local domestic violence center to provide services directly at the welfare center job training site. Government can clearly play a constructive role by designing programs that recognize this need.

Finally, continued public assistance support is clearly a necessary part of these efforts to eliminate violence against women. Without this safety net, women and children cannot leave. A lifetime limit of AFDC

to five years makes no sense in light of this function of AFDC. Similarly, the "child exclusion" proposals² currently being debated in Congress, as well as overall cuts in AFDC levels will simply frustrate women's ability to flee violence. Faced with choosing between beatings and starvation, women may too often choose beatings, exposing their children to prolonged violence that will only reinforce the cycle in the next generation.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

² NOW LDEF co-chairs the Child Exclusion Task Force, a coalition of nearly 100 diverse organizations opposed to proposals that would eliminate AFDC benefits for children. That coalition, which includes pro-choice and pro-life groups, children's rights, civil rights and women's rights organizations, and religious groups, is committed to defeating welfare reform proposals that include a child exclusion. A copy of the Task Force's letter to members of Congress and a list of the Task Force membership is attached.



IMPACT OF WELFARE REFORM ON THE CHILD CARE SYSTEM

WEDNESDAY, MARCH 1, 1995

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 9:35 a.m., in room SD-430, Dirksen Senate Office Building, Senator Kassebaum (chairman of the committee) presiding.

Present: Senators Kassebaum, Jeffords, Frist, DeWine, Ashcroft, Kennedy, Dodd, Mikulski, and Wellstone.

OPENING STATEMENT OF SENATOR KASSEBAUM

The CHAIRMAN. The hearing will please come to order, and I would like to ask Dr. Hofferth and Dr. Phillips to please come to the witness table.

Other members will be arriving, but the hearing schedule is a little uncertain today. I would just like to welcome everyone to the second day of our hearings on welfare reform and how it will affect our children and families. Today's hearing will focus on the child care system and the potential effects that welfare reform will have on the availability of quality child care and after-school care.

I think we are very fortunate today to have some outstanding witnesses who have worked in this area for some time. There are over 5 million children currently being cared for by someone other than their parents during the work week. I think the whole scope of this issue is enormously important. Those who are testifying today will cite the relevant statistics and outline the issues, far better than I can.

I think it is important for us to conduct an in-depth review of the potential impact of the changes that we are contemplating and to understand where we are as well as what we are trying to accomplish in welfare reform. I think it is very hard to make changes unless we understand the system as it exists today.

So I would just like to welcome all of you and extend a special greeting to our first panel. Dr. Sandra Hofferth is a research scientist at the Institute for Social Research, an adjunct professor of sociology, and a research associate with the Population Studies Center at the University of Michigan. She also is co-director of the Michigan Panel Study of Income Dynamics. She has recently completed work on two national child care studies, the National Child Care Survey in 1990, and a Profile of Child Care Settings, Early Education and Care, in 1990.

It is a particular pleasure to welcome her.

The second witness is Dr. Deborah Phillips. Dr. Phillips is currently director of the Board on Children and Families, National Research Council's Commission on Social and Behavioral Sciences. She is on leave as an associate professor of psychology for the University of Virginia. Dr. Phillips works on numerous task forces and advisory groups that address children and family policy issues, including the Task Force on Meeting the Needs of Young Children of the Carnegie Corporation of New York and many others.

It is a pleasure to welcome you both.

Dr. Hofferth?

STATEMENTS OF SANDRA L. HOFFERTH, RESEARCH SCIENTIST AND ADJUNCT PROFESSOR, THE UNIVERSITY OF MICHIGAN INSTITUTE FOR SOCIAL RESEARCH; AND DEBORAH A. PHILLIPS, DIRECTOR, BOARD ON CHILDREN AND FAMILIES, NATIONAL RESEARCH COUNCIL, AND ASSOCIATE PROFESSOR OF PSYCHOLOGY, UNIVERSITY OF VIRGINIA

Ms. HOFFERTH. Thank you, Madam Chairman and members of the committee. I am Dr. Sandra Hofferth. I appreciate this opportunity to testify about the impact of welfare reform and work requirements on child care demand.

The Federal Government has been a major partner in the child care for a long time. In fiscal year 1988, for example, 54 percent of the total child care and early education funds, about \$8.5 billion in real dollars, went to the middle class through tax credits, and 17 percent went to Head Start, leaving about 29 percent for the remaining programs. This imbalance was addressed in the 1990 legislation. In real dollars, there was an increase of 30 percent between 1988 and 1995. In fiscal year 1995, total Government expenditures on child care and early education will amount to about \$11 billion. One-quarter goes to middle-income families through the tax credit, and one-third goes to Head Start. The remaining half goes primarily to very low-income parents through a variety of direct programs, such as the Child and Adult Care Food Program, the Child Care and Development Block Grant, At-Risk Child Care, and AFDC Transitional Child Care.

The involvement of the Government has been very good for children. First, it has meant a greatly expanded supply of care. The majority of preschool children age 3 to 5, for example, about 60 percent, today are enrolled in a center-based program, and the majority of parents at least know of such a program close by.

Second, it has meant improved quality of care. Children in publicly-subsidized programs are in the highest quality care, comparable to that of high-income families. Besides meals, which is very important, the best programs also provide a variety of important services that many poor children do not receive elsewhere, such as testing for cognitive and social development, physical and dental exams, and hearing, speech, and vision testing. Such programs have been proven time and again to be cost-effective.

The children who are missing out come from low-income working families, those just above and just below the poverty line. This is because their families receive less in subsidies. They are benefiting from neither the subsidies for low-income families nor the tax cred-

its. Yet it is this group that would be most affected by welfare reform efforts. A carrot as well as a stick are needed to ensure self-sufficiency.

Good child care is essential for parents to work. The less they have to worry about their children, the more productive parents will be.

It would be cheaper certainly to simply reduce Federal responsibility for supporting needy families. The mood of much of the country is punitive. However, at the same time, most citizens do not wish to punish children for the sins of their parents. And I would ask you, do not think of child care as a welfare program or even as a program to care for children while their mothers work. High quality child care is a long-term investment in children's health, education, and development.

The findings of the High Scope Educational Research Foundation, for example, show long-term savings to the public of \$7.16 for every dollar spent on that high quality program.

Early education programs do not go to benefit parents, but to benefit children. More funding for child care would be good for kids and for society. As individuals, most of us save and invest for the future. Investment in early education is just like investment in schooling or in highways, and should be treated accordingly. While many parents will invest in their children for us, others will not or cannot. As we cut waste, we need to make sure that we invest wisely for their future and ours, or we will surely be bankrupt.

Thank you, and I would be glad to answer any questions.

The CHAIRMAN. Thank you, Dr. Hofferth.

[The prepared statement of Ms. Hofferth may be found in the appendix:]

The CHAIRMAN. Dr. Phillips?

Ms. PHILLIPS. Madam Chairman and members of the committee, my name is Deborah Phillips. I am very pleased to have this opportunity to discuss child care in the context of welfare reform.

I bring to you 15 years of research on child care. I testified before this committee 6 years ago on precisely this same issue—how to provide stable and safe child care for our Nation's most vulnerable children. Since then, substantial new research has become available, particularly nationally-representative and multisite studies of child care, as well as studies that ask parents how child care affects them.

Child care use has continued to grow exponentially, particularly very early and extensive child care for babies and toddlers. Federal subsidies and support for upgrading quality have also increased to the extent that we have started to shore up an otherwise very fragile system, particularly for poor families. And a consensus has also emerged that our welfare system is in serious disrepair, that we need to set in motion a very different set of incentives for these families that will move them into the paid labor force and keep them there.

There is also widespread agreement that the scope of the welfare changes that are now being contemplated inevitably will fuel substantial growth in the numbers of poor children, especially babies and toddlers, in child care. There can be no other result.

The only issue is what kind of child care they will receive and what role, if any, the Government can play in designing that care to the maximum benefit of the children. If maternal employment is to be a requirement of national welfare policy, then that policy must also assure that children are not being harmed while they are not in the care of their mothers.

I have submitted written testimony for the record. In the few minutes that I have, I would like to emphasize three points. First, the health and development of many young children will be placed in jeopardy if the quality of the child care that is now available to many poor families is not improved.

Second, the primary welfare reform goal of moving parents into stable employment and economic self-sufficiency will be undermined by unstable child care and mothers concerned for the safety of their children.

And third, we will miss an enormous opportunity that high-quality child care could provide to increase the chances that these children are ready for school, are socialized to interact constructively with their peers and set on a path that reduces the odds that, as adults, they will be dependent on welfare.

Three decades of research clearly establishes that the vast majority of child care in this country is quite mediocre. Children are kept clean and safe; they get some level of nurturance; they are exposed to some learning opportunities—but that is about it.

This is not what worries me, however. What worries me is the sizable minority of child care settings that place the health and development of young children in jeopardy. We are not even talking about quality at all. We are really talking about basic safety.

Several studies of center-based arrangements indicate that we are talking about 10 to 15 percent of all classrooms that are observed to be unsafe, to provide inadequate supervision for young children, and to expose children to unresponsive and even harsh caregivers and to poor sanitation practices. Needless to say, these classrooms are also devoid of opportunities for learning.

What worries me even more is that the risk of exposure to these unsafe settings is substantially higher for infants and toddlers than for older children. Again, across studies, as many as one-third of infant and toddler classrooms have been found to be of such poor quality that basic sanitary conditions are not met for diapering and feeding, the environment posed hazards to children's safety, and the caregivers offered little or no response when the children made efforts to communicate with them.

In a recent study of over 200 family and relatively care providers in California, Texas and North Carolina, three out of four low-income children were found to be in similar settings where the care was potentially unsafe, unsanitary, and unresponsive.

It is heart-breaking to visit these child care settings. I have been in many of them. You would not want your children or your grandchildren in them for even an hour, let all day after day, month after month.

Research also demonstrates unequivocally that these very, very poor settings damage children's development in ways that we can now document. Children in poor-quality care have been found to be more likely to be delayed in their cognitive development, to fall be-

hind age norms in the nature of how they play with other children, to be insecurely attached to their caregivers, to display more aggression toward other children and adults, and to show significant delays in their language development.

When you chip away even a little bit at a child's cognitive development and language development and capacity to interact effectively with other children and with adults, you leave behind a child who is pervasively disadvantaged. This appears to be particularly the case for poor children in poor-quality child care. That should not be the consequences, unintended or otherwise of welfare reform.

Bad child care can also undermine mothers' efforts to prepare for and maintain jobs. Evidence from evaluations of the GAIN program in California indicate that AFDC mothers who were worried about the safety of their children and who did not feel they could truly trust their child care providers were twice as likely to drop out of the job training program.

In just the last few years, Congress has taken steps that appear to have begun to alleviate some of these problems and to place more low-income children in safe and stable child care. Increases in funding, support for upgrading quality, and expansion of child development programs such as Head Start have clearly offered more poor families access to child care that will benefit their children's development and their own success in getting and keeping jobs.

Even an action as seemingly minor as the 5 percent quality set-aside in the Child Care and Development Block Grant has served to increase the number of States that offer systematic child care training from half of all States to virtually every, single State. They have enabled resource and referral agencies to better equip parents so they can make informed choices about child care, and they have brought critical resources to underserved portions of the country.

Rather than restricting States, this set-aside gives them the opportunity to make a very broad range of enhancements in their child care infrastructure. This is progress. We are now at a critical moment. We can either sustain or undermine this progress. The welfare reform effort now underway in Congress is in many ways an experiment of immense proportions, and many of those who will feel the impact of that experiment, good or bad, will be very, very young children.

Already, the typical baby starts child care before she even reaches her 3-month birthday and spends over 30 hours every day in child care. Many of these child care experience three or more providers in just the first year of life.

As a result of the work requirements contained in welfare reform proposals, the number of very young children who will be exposed to very extensive child care is going to rise quickly and substantially. The pressures on our current child care system, which are already forcing States to choose between families who are trying to get jobs and families who are trying to hold onto jobs will mount exponentially.

Under these circumstances, if the Congress fails to maintain the few policies and protections that have begun to expand the avail-

ability of continuous, safe, and developmentally beneficial child care, then millions of our most at-risk children who would most benefit from quality services may instead be consigned to very poor-quality child care settings.

Welfare reform predicated on moving recipients to jobs and self-sufficiency cannot succeed without an extensive network of child care. This, we know. This need for child care has typically been viewed as a secondary cost associated with welfare reform, but for children, this child care constitutes a primary environment for their development. Children and their parents must be assured that the care they receive is safe and reliable and able to deliver them at the school door equipped with the developmental skills that will set them on a path toward productive and constructive adult lives.

Thank you, and I would be happy to answer questions.

[The prepared statement of Ms. Phillips may be found in the appendix:]

The CHAIRMAN. Thank you, Dr. Phillips

From your extensive experience, both of you have provided some very thoughtful observations. Dr. Phillips, you stressed quality so much all the way through your testimony. In last weeks' Business Week, there was a piece about a report card on child care, where 12.3 percent of child care was rated as "poor" and 73.7 percent was rated as "mediocre." How would you define quality? When you are doing your analysis, Dr. Phillips or Dr. Hofferth, how do you define quality?

Ms. PHILLIPS. The study that you are referring to is a real state-of-the-art study, but there are several like it that have happened in just the last 5 years. The way we assess quality in child care is we go into the child care settings, we observe them for hours, even days sometimes. And there is a standardized scale that is now used that is marked as to what are you seeing here. There is a point on the scale, for example, that asks if you see children unsupervised, that asks you if you see unsafe equipment, that asks you if you see providers washing their hands after they change diapers. It is very tangible, very what we call "face-valid" practices that we watch and watch and watch. And sometimes you see wonderful things, and sometimes you see horrible things. That is the sort of state-of-the-art method of assessing quality. It is really quality in terms of what children are experiencing in those settings day in and day out with their providers.

We also look at ratios and group sizes and training and those other markers, but we have gotten right at the heart of what matters for children, which is their interaction with their providers.

The CHAIRMAN. Well, I should think interaction would be terribly important, but many States have very stringent child care standards today—now, you are smiling. Is this something that you find is not being adhered to, perhaps?

Ms. PHILLIPS. Well, Sandy may want to add, but actually, Senator Kassebaum, your State has very stringent standards.

The CHAIRMAN. Yes, we do. That is why I asked.

Ms. PHILLIPS. But many States do not have stringent standards—it is highly variable. Again, the issue is the range, and the fact that just as there are some States that do a very good job with

regulation and some programs that do a very good job providing child care, there is also a set at the bottom of the rung that is of great concern to me.

For example, I think a little more than 10 States allow one provider to take care of six babies at the same time in center-based child care. That is simply unacceptable. We know that that is bad for children, and we can document it now.

So there is a huge range.

The CHAIRMAN. Dr. Hofferth?

Ms. HOFFERTH. I would like to add to that that the other aspect of quality—we do not think that the Government is ever going to get in and say how providers should interact with children in a direct way—so what happens is there are some structural measures of quality that are what States regulate. So one of the questions is whether these measures—the child-staff ratio, the group size, the training of providers—is also linked to these process measures and to child development. And the most recent studies have found that the lower the number of children per staff, the better the training of teachers, that these measures are related to how providers relate to the children, and that is related to child outcomes.

So these things that States regulate have generally been found to be associated with outcomes for children. So in a lot of our studies, we tend to focus on some of these structural measures as well, as indicators—they are certainly not what parents look for, and many times parents may not care so much about the child-staff ratio or the training; what they really want is the good interaction with the child. That is what parents are looking for. And in many cases, the training or providers is directly related to how providers relate to children, so parents may not know, but they understand what they really want out of this.

The other thing I wanted to point out is that we did not mention the importance of States actually going in there and inspecting; that it is very important not only to have good regulations, but that States actually implement these regulations.

In some of my research, I found that there may be a negative relationship across States, in that the States that have better regulations may not inspect as often. So I think that this is an important aspect of it. It is not just the stringency of them.

Ms. PHILLIPS. I just want to add one point to that, which is that rates of compliance with regulation are very, very low in some cases. In family daycare in particular, in one of our nationally representative studies of regulated family daycare providers in the Midwest, as many as half were not in compliance with regulations that specify how many children you can take care of in the home. And these things do seem to make a huge difference.

One of the major uses of the block grant, actually, that little, tiny quality set aside, was to increase monitoring.

The CHAIRMAN. Has that been done? I mean, that has been beneficial.

Ms. PHILLIPS. Yes, absolutely. States are using it to monitor these programs.

The CHAIRMAN. And to what would you attribute the lack of monitoring in the States? Is that just lack of resources?

Ms. PHILLIPS. It is resources. It is absolutely a resource issue.

The CHAIRMAN. A couple of other things. You mentioned the number of providers that may provide care for a child. Are these multiple placements, sometimes; due to a parent's participation in AFDC, or under JTPA? Is there a difference in what type of support and assistance they receive with the different programs in which they participate? Does that affect their moving from child care provider to child care provider?

Ms. HOFFERTH. One study did find that one of the areas where there are child care problems is in transition among parts of programs. For example, if they are in a JOBS program, and they move from one component to another, and there may be a period of several weeks in which they are between programs, many times the rules are that they cannot stay in the same child care arrangement, so that could cause them to have discontinuity in arrangements, really through no fault of their own, but simply that their period of eligibility ends once the component ends, even though they are going to start another one.

So there are some problems right now in current practices, anyway, in the different States, and that could definitely cause instability, and that could cause parents to have problems even staying in these programs.

The CHAIRMAN. Well, I just cannot tell you how much I agree with your observation that nothing is more important than quality child care, and how much that means to a mother or a family who is having to utilize that child care in a major way. I think this is one of the most important components of the whole welfare reform initiative and we must recognize the effects of any changes that welfare reform efforts will have on child care.

Senator Kennedy?

Senator KENNEDY. I will pass for the moment if I could, Madam Chair.

The CHAIRMAN. Senator Mikulski?

Senator MIKULSKI. Thank you very much, Madam Chair, and to the members of the panel for your excellent testimony.

I believe that we have a crisis in child care not only for the AFDC mother who might move to work, but we have a crisis of child care for the entire United States of America, whether you are an AFDC mother, or we all remember the Zoe Baird controversy of blessed memory. And this then takes me to the issue of quality, and then I want to go to the concept of the block grant and the four different programs.

I think what you have said, Dr. Phillips and Dr. Hofferth, is really that our children are not being well-served in child care; no matter how well-intentioned, providers are uneven, etc. How can we do this without creating a whole new burdensome network around rules and regulations and so on? Remembering the debate on child care with Senator Dodd and Senator Hatch—and I believe you were involved as well, Senator Coats—it got down to whether you needed a master's degree in Play-Dough in order to be able to run a daycare center. That kind of trivialized it, but at the same time, you are outlining something where we are talking about the socialization of a substantial part of our population.

So what would be your recommendations on this? Am I right in saying this is a crisis regardless of—but that it is exacerbated among the poor?

Ms. PHILLIPS. That is exactly right. One interesting finding when you look across the literature is that when you look at center-based child care, poor children can get high-quality care. That is largely because the focus of the Federal subsidy has been on center-based care. It is in all the other forms of care that you really see a situation where, if you do not have the purchasing power, you are in trouble; you really do not have access to the same quality options that I do, for example, for my job.

In terms of what to do, let me make a few remarks about some of the proposals that I have seen—and I am under no illusion that you are going to provide all children access to Head Start quality child care in the context of welfare reform; it is just not being contemplated, as much as I wish it could be.

But there are some things that I think are really critical, especially around issues of continuity of care, which I know you care deeply about, and quality. There is an issue around seamless funding, and there are problems that families face as they jump from one funding stream to another, just as they are getting a leg up in terms of making it into the job market. But I am not convinced that is the major problem with discontinuity of care. I think the major problem is one, again, of basic resources, where States are now facing such incredible pressures as more and more families are moving into the labor force and as more and more very poor families are now being required to move into the labor force, so that they are channeling the money they have to those families, and the families, as Dr. Hofferth mentioned, who are getting cut off and almost penalized are the working poor. So that is a very, very critical issue. It is simply a matter of at a minimum, do not cut the level of subsidies we now have, whether you call it cuts for administrative costs or getting rid of State matches. That would be very, very problematic.

Senator MIKULSKI. Dr. Phillips, if I could just interject here, to my colleague, on the excellent GAO report—and again, Senator Kassebaum, I would like to thank you and your staff for the excellent briefing materials—but on the GAO report called “Child Care, Working Poor and Welfare Recipients: Service Gaps,” beyond the executive summary on page 4, there is a great graph that talks about the four Federal child care programs. One is targeted strictly to AFDC, where you have to be on AFDC; another is something called TCC, which is that little bridge for when you move off of welfare; the other is for something called At-Risk, and it is never implemented because it is optional; and then there is the block grant that we worked so hard to create.

Here, then, is my question. Would your recommendation be that we eliminate AFDC, TCC and At-Risk, and go to a block grant and make it income-based—not where you are leaving from to where you are going, but what is your income? What I see in my own community is that people who are on welfare and moving off of welfare temporarily get more resources than those who have never been on welfare or who have been off of welfare for more than, say, 18 months or 2 years; and the more they try, the less they get.

Now, there is something wrong about that, and if I could, there is an ethnic market I stop in every morning for my coffee. There are two women. One, coming off of AFDC, gets child care. Another has a husband who, for whatever reason might be unemployed, and so when she is working, she is not eligible, or maybe a recent single mother. This seems to be pitting one modest income group against the other. And then when we get to the blue-collar, pink-collar service industry that might, then have gone to \$9 an hour—which still is below \$20,000—they are out of it altogether.

Am I on the right track by saying we have too many programs that create too many gaps. We have four. It might be that we could have one program that is truly income-based, and focus on that, simplify rules, and concentrate on quality rather than on eligibility.

Ms. HOFFERTH. If I could answer that, Senator Mikulski, thank you very much. That question is certainly the most relevant question right now.

I agree that an income-based eligibility criterion would certainly simplify things a lot and make it easier. The one thing we have to be careful about is not to reduce or eliminate the funding. I think that is what people are most concerned about in the consolidation and block grants.

Senator MIKULSKI. That "consolidation" is a code word for "cutting."

Ms. HOFFERTH. Exactly, that entitlements would be eliminated and the funds would be cut. In addition, there is a concern with investment in quality, that that be maintained or encouraged through this. There may be other ways to do that, but I think those are the three main concerns.

Right now, one of the problems with these different programs is that States get to a certain point, and they do not have any more money, so they have to stop; or they may substitute block grant funds for other funds that they have because of the extent to which the State has to match. So the main limitation right now, I believe, is a funding limitation, and that is the reason why we are not going far enough to help the people who really need it—the working poor and the working-class families.

Senator MIKULSKI. Could I also ask about a ladder of opportunity, which I know everyone is interested in? Right now, very often, the child care provider makes less money than—I should not say "make"—but has less of a revenue stream than someone on AFDC with all the benefits, or they see it as a dead-end job. I mean, to major in early childhood education is not to get on a ladder of great opportunity.

This then takes me to something else. Let us talk about people who are ambitious, who want to make something of their lives, but yet are of very modest income, where they would start out, let us say, in child care, going to a community college, maybe many of the women themselves, and maybe even men themselves—because I want to talk more about the role of men—and then, while they are going to the community college or they are working through, they are doing stints in center-based child care. But each step leads to the next step—you get your GED, you can go to a community college in early education, and this enables you to parlay into going into a 4-year program perhaps in teaching. But when you start out,

you know you might stay here, or you might have a chance to do better.

Do you think we need to think far more creatively, that is, to have a continuity of the worker—not only the continuity of income and place, but continuity of the worker—because what we know in child development is that the more hands you are passed around to, the more fragile your ego is.

Ms. PHILLIPS. Well, you are singing my song, truly, Senator.

Senator MIKULSKI. Me and the Family Research Council, we are right on.

Ms. PHILLIPS. If there is one issue I have focused on in my research, it has to do with how the quality and continuity of the staff in our child care programs affect the development of children, and the effects again are substantial and profound.

We have turnover rates in our Nation's child care centers that are at a minimum 25 percent; recent data I have just looked at in an other nationally representative sample have a turnover rate back up at 35 percent and 40 percent that we were seeing 5 years ago.

What we euphemistically call staff turnover, children experience as loss. They do get very attached to their child care providers, unless they are in a revolving door situation.

I have been in child care centers that have gone through 20 staff in the course of a year to maintain a staff of seven. I have gone into centers and had children come up to me and ask, "Are you my new teacher?" And it is heartbreaking, because they do not know from 1 day to the next who is going to take care of them. It is a major crisis, and if there is anything we can do about it, I would certainly support it.

Senator MIKULSKI. Well, Senator Kassebaum, I know there are others waiting to ask questions, but I think this really shows us kind of a navigational chart of where to go.

I would like to thank the panelists for their outstanding research and their long-term commitment to this and look forward to additional conversation.

The CHAIRMAN. Thank you, Senator Mikulski.

Senator Jeffords?

Senator JEFFORDS. I will defer to Senator Frist?

The CHAIRMAN. Senator Frist?

Senator FRIST. Thank you, Madam Chairman.

I would like to thank the witnesses also for appearing today and addressing this important—very important—issue.

I noticed in the questioning, it was clear that consolidation ultimately translates into cuts; that seemed to be clear. If we put money aside, would you agree that there are too many Federal programs? Looking through our briefing materials, which are excellent, and your testimony, it is clear that there are certain inconsistencies in eligibility. Can you make a statement that there are too many Federal programs, with too many inconsistencies today—money aside? I would like both of you to answer that.

Ms. PHILLIPS. Again, consolidation is a very critical issue. We certainly do not want the structure of Federal subsidies to create unnecessary, and I truly believe unintended, discontinuities in care for children or for their parents. But you need to separate that

issue from what is also being talked about in the name of consolidation, which is funding cuts, which is eliminating the few, little quality safeguards we have, which is not even requiring that Federal money goes to—when they are going to a licensed type of child care, like a center or a home, that it be licensed.

My understanding of some of the proposals that are being considered now is that they would allow Federal dollars to go to illegal child care, because there is not going to be any requirement that they do not. That is my concern. And I think we have to talk about it, really, as a set of very different proposals, some of which will probably be helpful and some of which will sort of undermine whatever help that would do, because it is creating harm in the process.

Senator FRIST. Do you feel that we do have too many Federal programs today?

Ms. PHILLIPS. In terms of sheer number of programs, again, I have no problem with consolidating them. If you ask me whether we have enough money, I am going to say no.

I think what has happened is that we have pieced together, trying to create a child care system a little bit at a time, because we have always been under severe funding constraints.

Senator FRIST. If we took the same amount of money today, knowing what you know as the experts today, and said let us consolidate, let us eliminate the inconsistencies in eligibility—because clearly people fall through the cracks; transition is difficult for them—can you envision taking that same amount of money, consolidating programs based on the information that you know and the studies that you know, recognizing that much of it has been piecemeal over time, can you envision a program that will ultimately have more value, for the same amount of money—again, I am saying I do not know whether that is going to happen or not?

Ms. PHILLIPS. I can say yes to that. And in fact, some States have done that, and they are very instructive, and you will probably hear about some of those.

Senator FRIST. Dr. Hofferth, how would you comment? Are there too many Federal programs today, and can you envision taking the same amount of money and using it, through consolidation, in a more effective manner?

Ms. HOFFERTH. Yes, I could. I would like to add to that that one of the difficulties that I saw in the 1990 legislation was that we had lots of different objectives, so that some of these programs come out of attempts to do a variety of different things, with different groups of people and already existing funding streams. If we could come up with one or two main objectives for children—for example, in several of the other nations, there is a commitment to high-quality, center-based programs for children ages 3 and 4, and even going down to about age 2. So there is a clear concept of what kind of care children should be in at an early age and how that should be done, and I think that would, more than anything, resolve this issue where each person is trying to come up with a slightly different program to meet a very specific objective.

So if it were possible, that would help a lot, I believe. I should mention that centers clearly are one of the ways that our families have been moving, center-based programs; that appears to be where there is a lot of very high-quality care with Federal re-

sources as children move into their preschool years, and I believe that is one clear mandate.

Senator FRIST. Can both of you comment on the role of the private sector? Dr. Phillips, you mentioned in your testimony that "Child care centers operated with," and I quote, "public funding tied to higher standards provide significantly higher quality care than centers without these sources of subsidy."

Could both of you help me a little bit with the role of the private sector—can private entities help in any way—what do you envision—through either tax incentives for private entities to participate? Could you just help paint that picture of the potential role of private entities for me?

Ms. HOFFERTH. The study of the cost and quality and outcomes for children that was just released recently showed that of the total expenditures that centers make, a big part of the resources for the very high-quality centers does come from elsewhere—from donations, from volunteers, donated space, and from other resources. So there is a lot of this right now. It is not as though there is not any—and the Federal Government and other State and public agencies as well. Many of those that appear to have the lowest quality do not have these other resources. I think that that is promising, but it points out that parents only pay a small part, really, a proportion, of what the total cost of their child care arrangements are—maybe 50 to 60 percent, something like that—compared to the full cost. It is very expensive.

Employers are participating. There has been quite an expansion of the employer-sponsored care market that is very high-quality care as well. Employers pay a big share of that. So I think there are a number of ways that it could be expanded. I think the Committee on Economic Development in New York has had a big part in at least a bully pulpit in getting its members to buy into the notion that employers should also help their employees.

But particularly the working poor and working class families whose breadwinners are not working at these large companies and really cannot depend on their employers to provide it. So in these cases, I think it is important that States and localities and the Federal Government consider participating.

Senator FRIST. Thank you.

Ms. PHILLIPS. Can I just add one thing to that, please?

Senator FRIST. Yes.

Ms. PHILLIPS. One of the major employers that has made a concerted effort to provide quality care for their employees is the U.S. military, and I really recommend that you look at what the army, the air force and the navy have done with respect to really making a very serious effort to stabilize the work force and make sure their children are in regulated arrangements—in a lot of homes that are good quality. They really have provided a model.

Senator FRIST. Thank you. I would be interested, over the course of the morning, in learning more about the private sector and what we can do from a policy level to bring employers or others in and give them incentives to participate.

Thank you, Madam Chairman.

The CHAIRMAN. Thank you, Senator Frist.

Senator Kennedy?

Senator KENNEDY. Thank you, Madam Chairman.

I appreciate, first of all, Chairman Kassebaum having these hearings, and also for the witnesses being here.

I want to pick up just where you left off, Dr. Phillips, in terms of the military. We can relearn our own lessons here. We had a lot of difficulty over a long period of time in emphasizing early intervention with children. We had a lot of resistance here for a very considerable period of time, which you are familiar with. And with the leadership of Senator Dodd and others—it was bipartisan—Senator Coats, Senator Hatch and others, we made important progress. One of the dramatic pieces of legislation was in the area of child care. We debated that—and Senator Dodd remembers this very well—for a period of weeks, and eventually we worked out a compromise. We had difficulty working out the compromise, and we had to basically pull back on a lot of the rules and regulations. Now the rules and regulations have gone out, and we have had evaluations, and some States have done well, while others have not. But the recommendations that were made in terms of regulations were heavily undermined, with the exception of the military. I offered the amendment on the defense authorization, which was effectively the bill that came out of this committee. It passed 92 to 6. Many of my colleagues who were most vociferous in opposition to rules and regulations for establishing quality child care for children jumped on. Why? Because it was going to the military. Just reread the debate. It is enormously interesting.

I would ask any of my colleagues to visit the various child care programs. There will be \$216 million expended this year, and 166,000 children are going to be involved. I was just up at a superb program at Hanscom Air Force Base. At that military base, there was 56 percent turnover among teachers; now, it is less than 5 percent turnover. And when you talk to parents whose children are involved in that program, they will tell you it is working. There are some that are not, I am sure, but I think it is instructive for us so that we do not have to relearn these lessons that you have both commented on. And I would hope that if you know of some evaluations, whether good or bad—I am out on a limb in terms of the ones that I have seen, which have been good—I would hope you would let us know—not that rules and regulations are necessarily the answer, but we did establish some standards, and I think a lot of the problem that we are concerned about today have been addressed.

Just parenthetically as well, we are now talking about 1.4 million children who are being taken care of; we are talking about an administrative squeeze and consolidating the program about another 5 percent, with another 70,000 children, so you would bring it up to 1.5 million, with 21 million children out there. You cannot treat children on the cheap. You cannot do it. It is just wrong policy, and it really undermines the final point that I am going to talk about, and that is what is happening to the children.

We squeezed the Head Start program down here over a period of time, and I am not interested in going back over the politics of it, but they were squeezed down, and we saw a significant deterioration in terms of quality. We expanded the number of kids that

were put into that program, and we saw a deterioration in quality. A bipartisan commission that was set up made recommendations last year in terms of the Head Start program—it was bipartisan, and it really worked—and I think we got back on the track with trying to emphasize and buttress the quality aspects of the children's programs. And I do not think we want to try to squeeze some of these programs that are working. We can consolidate and get the inefficiencies out—all of us are on board on that. But when you have 21 million children who are under 200 percent of poverty, and you get another 70,000 slots, you are not doing it. We are the only country in the world that does not have a children's policy.

Finally, I would just offer two points, and your statements address them, but I would like you just to summarize. One is what happens to children. We all talk about the numbers, but what is really happening to the children, as your studies really show, in terms of the increasing complexity and bureaucracy. We are trying to get it straight in terms of the legislation, but what is happening out there to the kids? What have you seen in the last few years, with the numbers of children—we know the statistics and what has happened in the States—the number of children who are growing up in poverty; from the Carnegie Commission, we know what is happening in terms of failure to provide proper nutrition for children. And I will submit some other questions for the record, but could you just take a moment and tell us a little bit about your own general conclusions about what is happening to our kids in this country?

Ms. PHILLIPS. Well, I have been in dozens and dozens of child care programs; that is the setting where I have really observed children. And as I emphasized in my comments, it is highly variable, but the part that really, truly scares me are these settings where you are not seeing out and out abuse—that does not happen, much—but what you are seeing is sort of nothing happening. You are seeing babies who are left in cribs, and they cry for a while, and then they stop, and they lie there. You are seeing children who are in resource-starved environments, who are aimlessly wandering around—in fact, that is the word we gave it after seeing so much of it—for more than half the time they are in child care. It is true deprivation.

And when you look at outcomes, you see the effects; they are tangible. It is not just that they are not getting immunized, and they are not getting hot meals; they are really being exposed to safety hazards and health hazards. And you see it in their cognitive development, in their language development, in their peer relationships—you can go on and on and on down the line. It is pervasive.

So I am deeply concerned about those children who are at the bottom of the ladder in terms of quality.

Senator KENNEDY. Dr. Hofferth?

Ms. HOFFERTH. I would like to add, on the more positive side—this is more from an administrative perspective and a statistical perspective—that States are seeing a need and have put into place a number of high-quality State-funded preschool programs as well. So I think there is a lot going on out there to address some of these issues and concerns. And many of these State-level programs do provide some high-quality services. I see the early education and

care field as a continuum from something like Head Start, which provides a lot of services for children—the health care services, health screening and testing, as well as food and some of the standard things—with very high-quality, trained staff, down to the completely private programs.

But the State-funded preschools are also very high-quality and are providing services for children. So I see that effort to get some of these services into the programs where children actually spend a lot of their day, and I think we should consider this as a model, too, which is to try to expand the services for children in the programs that are out there, and put some resources there. It is not just Head Start, or just child care, or just center-based programs; it is all of these things. And the more we can get for children, so that when they are there, they can get their immunizations, they can get what they need while they are there, I think that that would relieve a lot of our concern and parents' concerns, too, about the kinds of arrangements in which children are spending a substantial proportion of their time.

Senator KENNEDY. Finally, on the issue of child care and work, just from your own life experience and talking to mothers—and you have done a lot of it—how important is this, when mothers are making judgments and decisions as to whether to take the job or not take the job, and those kinds of everyday challenges that they are facing out there, how much anxiety is out there? We have to get an anxiety level around here in order to get a reaction from this institution, besides the common sense and logic. So maybe you could just make a brief comment, if you would.

Dr. Phillips?

Ms. PHILLIPS. It is a source of tremendous anxiety. I have felt it myself. I am lucky—I have a child in the Senate Child Care Center, which is a very high-quality, subsidized child care center—and I feel the anxiety, although I do not feel it now, because I feel very assured that my son is getting the very best of care.

One of the confusing things in the research literature has been when you ask parents in general are you satisfied with the child care that your child is in, you get very high rates of satisfaction. They say yes. When you turn around and you ask them would you change if you could, you get typically about 25 percent of parents saying yes, I would change if I could. If you ask—and this is Sandy Hofferth's data, so she may speak more to it—when you ask low-income, employed, single mothers and teen mothers if they would change if they could, you get rates bordering on 48, 49 percent saying yes, I would change if I could.

When you put that together with data that are coming out of the California welfare reform program that says that mothers who are worried about the safety of their children—and the quality question did not work, so if you simply ask is your child not in high enough quality child care, it does not make any difference—but when they say I am worried about my child's basic safety—remember, these are mothers in unsafe neighborhoods, in many cases; they are twice as likely to drop out of the job training program. So you have got to kind of fit the whole picture together.

I think what is very important is that it is not just that mothers are worried. It is that it also affects their ability to achieve the primary goals of welfare reform.

Ms. HOFFERTH. And I will just add one thing, which is that parents say quality is important when they make their decision, but what they actually base decisions on many times is convenience and cost, how close is it, and can they afford it. So I think that is indicative that parents do really want the best for their children, but they cannot always get it.

Senator KENNEDY. Thank you both.

Thank you, Madam Chairman.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR KENNEDY

I am pleased that the committee today turns its attention to issues close to the heart of millions of American families—availability, quality and affordability of child care.

The struggle for decent child care is a daily fact of life that all families understand, regardless of their income.

Today and everyday, millions of families face impossible and heart-wrenching choices—between the jobs they need and the children they love—between putting food on the table and finding safe and affordable care for their children.

We have heard a lot about turning welfare into work—but not nearly enough about who will care for the 10 million children on AFDC while their parents pursue job training or go to work.

If we are serious about encouraging work, if we are serious about strengthening families instead of punishing them, we must deal responsibly with the issue of child care. This hearing offers a welcome “reality check” on pending welfare reform proposals.

Quality child care creates opportunity and increases productivity—not just for one generation, but for two generations. Child care is about giving parents and children a fair chance. Leaving children out of welfare reform will make a mockery of any such reform. It will only pass on the real life tragedy of dependency from this generation to the next.

Families cannot afford that—and neither can we.

Today, 21 million low-income children are eligible for services under Federal child care programs. Yet less than 7 percent of these children receive this essential support.

If we seek to do more than simply stop welfare payments, we need to remove barriers to self-sufficiency. For many, that barrier is lack of child care. The Census Bureau found that one in three poor women not in the labor force identified child care as their greatest barrier to work. One in 5 part-time workers said that they would work longer hours—if child care was available and affordable.

Two-thirds of AFDC families have at least one preschool child and need child care assistance in order to enroll in job training or conduct a job search, or pursue their education.

There has been a steady drumbeat of loud calls for cutting welfare benefits by some in this Congress. But there has been a deafening silence on the need for child care. It is time to break the si-

lence and put together a realistic reform—reform based not on rhetoric, but on results.

We should create a single system of child care, rather than maintaining separate programs for families on welfare, for families recently of welfare, and for families at-risk of falling onto welfare—each with its own rules, regulations, and eligibility standards. Families have enough stress in their lives without having to weave their way through this maze. All too often, they are put on endless waiting lists or they slip through the cracks altogether.

Consolidation of current programs is important, but it is not enough. In the end, it will only mean well-organized deck chairs on a ship that is sinking. While it may streamline the bureaucracy, it will not even begin to meet the steadily increasing need for quality child care by working families in our society, let alone meet the vastly increased need likely to explode if current welfare proposals ever become law.

The “Home Alone” bill approved by the House Employment and Economic Opportunity Committee will roll back positive bipartisan advances we have made. According to the Department of Health and Human Services, the proposal will cut child care funds by 20 percent and in the year 2000, serve 400,000 fewer children. These cuts—coupled with the committee’s requirement that 50 percent of AFDC recipients participate in job training or work programs—are a formula for disaster.

The numbers just don’t add up.

As States face the child care need that will result from trying to move hundreds of thousands of people from welfare to work, the quality of care and the availability of assistance for working families will be in serious jeopardy. If States are forced to do more with less, children will pay the price.

I am pleased to have joined Senator Dodd in introducing an alternative—the Child Care Consolidation and Investment Act—which provides the resources necessary to promote self-sufficiency and support working families. It is a realistic pro-work and pro-family proposal. The Act will give AFDC families and helping hand—and it will give working families a fighting chance for a better life. It will bring a long overdue ceasefire in the battle for limited slots between families trying to get off welfare and families trying to stay off welfare—a battle with no winners.

We must also do a better job of making work pay. The average cost of a child in child care is almost \$5,000 a year—yet the take-home pay for a minimum wage job is stuck at \$8,500 a year. This stark economic truth is a fact of life for far too many families and it is not acceptable.

We must reject any policy that pulls the rug out from under struggling families just as they are getting on their feet. Such approaches are callous and counterproductive. In Massachusetts, of mothers who left welfare for work and then returned to welfare, 35 percent cited child care problems as the reason. Adequate support at this critical time could have made all the difference.

Quality is also a key factor in child care. Every day millions of young children are left in unsupervised settings and in poor quality care that jeopardize their health and safety—not because their par-

ents don't care, but because they lack options, lack information, and lack cash.

Recent studies remind us of the mediocre to poor quality of child care that most children receive. Only one in seven child care centers offers quality care—and only one in eleven family day care homes are high quality. Children deserve more than custodial care. They need structure and positive individualized attention. Above all, they need a safe place to learn and grow.

For all of us who care about working families and genuine welfare reform, facing up to the challenge of child care deserves a much higher priority by Congress than it has had so far.

I commend Senator Kassebaum for her commitment to children and to the issue of child care. We have worked closely together in a bipartisan spirit in recent years to improve the quality and expand the availability of Head Start. I am hopeful that we can do the same in the important area of child care, so that any welfare reform we enact will deal effectively with this challenge, not make it worse.

I look forward to hearing from our witnesses.

The CHAIRMAN. Thank you, Senator Kennedy.

Senator DeWine?

Senator DEWINE. I would like to thank our witnesses as well. Let me ask you, Dr. Phillips, if I could, about regulation. You mentioned regulation, and you have written extensively in this area. What type regulation matters, and what does not matter? Maybe the second one is more difficult, but I would like for you to try to answer that as well. What is important and what is not important in regulation? You have been out, you have looked, and you have seen. Would you comment on that, please?

Ms. PHILLIPS. It is a very important question. Let me say a couple things. First, regulation is not a magic bullet. You certainly find not so wonderful child care in States with stringent regulations. What it seems to provide is a floor, and that is what it is intended to provide. So that when you look at the range of quality that you see in States with more or less stringent regulations, you see different distributions, so that in States with very good regulations, like a Kansas or a Massachusetts or a Connecticut, you do not see as much of the really, really bad child care.

The enforcement issue which we have talked about is also very, very critical. In a study that I am working on now, we found that Massachusetts, which has very stringent regulations, actually had lower levels of regulatory enforcement than did Virginia and Georgia, which are two other States we looked at. Virginia has sort of modest regulations, if you will, and Georgia had pretty bad at the time, although they have improved it a bit since then.

Even though Massachusetts had the lowest rate of enforcement, they did have the highest quality of care still. When you looked at Georgia and Virginia, the enforcement mattered more, actually, because their regulations were so much more than Massachusetts that the State that did a better job of enforcement had higher-quality care.

So I am giving you a complicated answer, I realize. It does make a difference. It is not a guarantee. Enforcement is critical. And I guess one of the best uses of regulations is to think of them more

as incentives, that if you tie regulations to training opportunities in particular, so that it becomes more of a carrot than a stick, you are going to do a more effective job with regulation—and in many cases, we regulate all the wrong things.

Senator DEWINE. Well, give me an example of where we are regulating the wrong things—which really goes to my question. If you are talking about relying more on the States or less on the States to do this, what is important and what is not important? If you were talking to a Governor instead of a Senator or a State legislator, who is writing regulations, what matters, but also, what does not matter?

Ms. PHILLIPS. What happens in a lot of cases is that you have programs that are regulated by all sorts of different levels of Government—State, local, the fire department, and so on. One important thing is that that gets better coordinated. There are just too many details in many cases. I am sure there are others here who can speak more about what really happens at the local level.

The facts of regulation that I emphasize and that I think truly matter have to do with the training provisions, which are barebones in what we have now, and the ratios and, in family daycare homes, the numbers of children that you can take care of in your homes. But it is really the monitoring; it is bringing the providers into a network of other providers, providing them the training, that really is what is most important.

Senator DEWINE. Well, with all due respect, what you have found in your studies certainly is not contradictory to what common sense would indicate—the ratio, and who is having interaction with the child, and how much interaction there is, and what is the quality of the interaction. With our own children, that is what we see, and we would expect to see it no matter how the children are being cared for.

If I could, Madam Chairman, ask just one more question. Let me follow that up with both of you, with your statements about the problem with turnover, which relates to what we have been talking about. How do you deal with that? I mean, is that solely a function of money, or are there other things that come into play there? How do you rectify the problem? You have identified the problem, and I think anyone who has had any experience in this area understands that turnover is a big problem.

Ms. PHILLIPS. A lot of it is money, and that is what the military has done, is they have provided resources for staff. The thing I think you really have to appreciate, which is quite remarkable, is that the child care providers in this country, I think, are angels. I mean, these are very dedicated people, and when you talk to them, they have extremely high levels of job satisfaction; they love their work.

What pushes them out is economics. I have certainly seen it with my own son's teachers. These are dedicated people, and they do not want to leave the field, but they have to because they cannot support their own families, and they want some opportunity for advancement. It does not necessarily even take a lot. It is not a huge, major raise all of a sudden. It is just providing that ladder, that sense that if I stay here, I will make more money as I go, I can

get more training, I can take pride in what I am doing and feel that it has some status attached to it, some economic viability.

Senator DEWINE. Thank you very much.

Dr. Hofferth?

Ms. HOFFERTH. I would add just one comment to that, which is that child care is a very competitive field. Staff is 60 to 70 percent of the cost of child care, so that the number of staff is very important. Staff compose the biggest part of the cost. And providers are concerned—if they pay their staff more, they will have to raise their fees to parents, and that will make it unaffordable for the parents, and the parents will go elsewhere. They are extremely concerned about this, and that is why we have seen very limited increases in fees in child care over the past decade or so. We have done a lot of work on this. It is a very highly competitive area, which is why the Federal support and assistance directly to the programs has been so helpful in this area, because it adds to what programs can provide. It is a very private system; it really is, compared to the public school system. A lot of this is done privately, and that is why it is highly competitive. It is very difficult to raise parents' fees.

Senator DEWINE. Thank you.

Thank you, Madam Chair.

The CHAIRMAN. Before calling on Senator Dodd, I would just like to say that on February 16, Senator Coats, chairman of the Subcommittee on Children and Families, Senator Dodd as ranking member and former chair of the subcommittee held a very important hearing that provided a lot of good information on the child care and development block grant. And this hearing follows up on the work of the subcommittee, taking a broader look at the effects of welfare reform on child care as a whole. But that is important to us as we look at reauthorizing that legislation, with which both of you, of course, are very familiar with.

Senator Dodd?

Senator DODD. Thank you very much, Madam Chairman, and let me join in thanking you for holding this hearing and thanking our witnesses. I am delighted to hear about the Senate Child Care Center, as one who was actually involved in establishing it a number of years ago I have visited it on a number of occasions, and they have done a very, very fine job, so I am glad to hear that that is still the case.

You have offered wonderful testimony here this morning. As someone who authored the original child care and development block grant bill, along with Senator Hatch, Senator Kennedy, and others, I am very pleased to hear you talk about the quality issue. It was the most difficult problem we had, originally, in getting the bill adopted and passed. The bill itself was included, actually, as part of the Budget Act. As my colleagues will recall, it was not a freestanding proposal. Very candidly, it threatened to hold up the budget that year and that is how it ended up becoming law.

The big tickler issue, in addition to the cost negotiations, was quality. I think what you are suggesting here, this morning, in your testimony is so important, and I do not think enough attention gets paid to it. In almost any other area of Federal investment, taxpayers want to know that their dollars are being wisely used

and wisely spent. We have seen the outrage expressed by taxpayers over \$300 hammers and at the winners of the Golden Fleece Awards. There is a long history of people's concerns about how their tax dollars get spent.

I would like you to comment briefly on the notion of consolidation. And of course, Senator Kennedy and I have offered legislation that takes this approach. There is no debate about the benefits of consolidation. It has to be done, in our view, and there is a legitimate point about bringing programs together. So the question is not really on that point, although there may be some minor issues that will have to be worked out. On the general concept of consolidation, I think we are prepared to move. The issues that remain, in addition to consolidation, are what to do on the questions of affordability, access and quality—the three legs on which any good child care program must stand.

And I want to raise concern about the quality aspect because it always seems to come in third. I think people understand we are trying to increase access, and we are trying to do something about affordability, but quality—somehow, that will get taken care of. Yet I think the taxpayers out there would demand and ought to demand that as their tax dollar gets used for child care, that it is being used wisely and well. And I am absolutely outraged over the notion that somehow we could strip out even the minimum safety and health standards.

In any State in this country, if you take your pet to get clipped, there are standards which those people must comply with before they can take your pet. The person who works on your automobile in most States must meet standards so that you do not get ripped off in the process. And there are numerous other examples I could cite.

The idea that somehow we would strip out basic safety and health standards for children who spend a good portion of their day in the care of others, putting aside people's other views on this, I think, will create a sense of outrage in this country that we do not require those basic standards that we would in almost any other part of the budget.

If you suggested I was going to take a dollar of your tax money and spend it someplace and not have some real deep concerns about how that dollar was being spent and whether or not it was being spent in a quality way, I would think you would have a tremendous problem on your hands.

So I come to the point here particularly because of the note that was made in your study, Dr. Hofferth, on the question of poor quality and the likelihood that parents leave their jobs where quality is not good. I wonder if you could elaborate on that research, because in my view, it is central. You have talked about some of the data already, but I do not care how accessible and how affordable it is. If you, as a parent, find out that your child is not getting the basic health and safety standards, in my view, given the choice, you are going to walk away. You are going to pull your child out of that care. In most cases, I believe, that is the case.

Ms. HOFFERTH. Yes. This is a study of the California GAIN Program in which they actually looked at the reasons that parents gave for leaving their training programs, and concern about quality

was a major concern and did result in a higher proportion of parents quitting, ending their participation in the program. And these were very good programs. But it is clearly a major motivation of parents. I do not know if Deborah has any other thoughts, but it is a very important finding.

Senator DODD. Well, elaborate a little further. In your experience, how qualified are most parents to be able to go in and make judgments about whether basic health and safety standards are being met? How many people will go in and raise issues of whether or not there is lead in the paint. You can just imagine the list of questions. How much of that really goes on? Do people ask those kinds of questions when they go in?

You know, when your car has been fixed and you get the bill, you want to know whether certain things got done. Most people are pretty good about that, I expect. But what do they do in this particular case? What is the real life experience of parents checking on quality?

Ms. HOFFERTH. Well, certainly there are some standards as far as handwashing and things like that, that would be hard for anybody to observe, even an inspector, coming in, because they would not know if somebody was complying with the regulations all the time. So there are things like that that are really very difficult. But there are other basic things—separation of washing and cooking facilities, and things like that—that can be observed. And I agree that the parents have neither the time nor the energy to do this. They can certainly look and see how their child is getting along with the provider, and this aspect is what they would look at. And they depend, really, on public officials and inspectors for certifying the quality of the centers and programs.

Senator DODD. I have been dealing with the Family and Medical Leave Act regulations, and now, with the proposed freeze on regulations. Just in that area alone, I find the possible effects so contradictory, and I do not know if this is true here. But the Department of Labor received in depth, thoughtful comments from the business community and others on the interim regulations that were in place originally. The final regulations responded to these concerns and were going to actually improve those from the business community's perspective. We may not now be able to do that, so we would have to go back and rely on the old regulations, despite the comments and the positive improvements made on them by the business community about how family and medical leave works.

Is that happening here as well, potentially, in the child care area, that as we have tried to improve some of the regulations and make them more workable, that in effect by freezing things, we further complicate matters by going back to the old regulations that were not improved?

Do you know about that?

Ms. HOFFERTH. I am sorry, I do not know.

Ms. PHILLIPS. I do not know how States are going to react. I think it is really critical to watch that. Again, the enforcement issue—and I keep coming back to that—is critical because the block grant money has been used to increase monitoring. So the greater danger may not be that States change what is on the books vis-a-

vis the word of the regulations. The greater danger may be that these regulations become more of a myth than a reality.

Senator DODD. Well, I suppose we can check on that.

Let me go to the accessibility issue. We have a letter from Bruce Fuller, associate professor at Harvard University, analyzing Governor Weld's proposal in Massachusetts, which is one of the toughest laws to pass in the country on welfare reform. His reform package promises to move 17,000 AFDC recipients in the State of Massachusetts with preschool-age children into job training or education programs. Now, that is going to require, we are told, about a 50 percent increase in the supply of child care slots in that State. The legislation provides funding for only an additional 4,200 slots.

I am curious as to your information regarding not only that particular State, but others as well, and the waiting list issues, and what happens to the working poor, who are out there today, working and using the Child Care and Development Block Grant program. What is going to happen if we do not increase the accessibility of child care slots, in your opinion?

Ms. HOFFERTH. If I could address that—children are in care for the most part. There are very few preschool children who are caring for themselves. There are some, but it is fortunately very small. So the issue is what kinds of arrangements are they in. And the ones who will not get the formal, center-based slots will be in family daycare programs. There are some good-quality family daycare programs. They are being cared for by relatives, friends. Some of those programs may not be the ideal programs for the children, but they will be cared for.

I think the issue is the stability of the program and whether it meets their needs. So as far as the issue of access, I do not have a major fear that children will be in self-care. There is a recent study that showed that there may be some problems with these informal arrangements particularly if providers are doing it just to help someone out—for example, if they are just doing it to help out a relative, or just doing it to help out a friend—that these programs, informal family daycare and relative care, may not be of the best quality and the best for children. So I think that that is an important thing to note.

Certainly a lot of the low-income families we are talking about would prefer to have a fairly stable center-based program, and as they learn about the programs and about the high quality, that is really what they want. Some of them are concerned about moving their children into a program in somebody's home, which may be like their own home—there is no limited access to persons to come in—so they really want a center-based program and cannot find one.

But for the most part, I would say it is not an issue of whether the children will be in self-care; it is an issue of what kind of arrangements and what quality of arrangements children will be in.

Senator DODD. I presume you know this, but when Senator Hatch and I put the bill together, we not only did not exclude, but instead invited family day care arrangements and relative care. The idea that this would all be center-based care was not something we supported at all. We wanted to give people choice. However, we wanted to see that if you are going to get a Federal dollar

and get a certificate, that that Federal dollar is being spent wisely and spent well. Make the choice if you want, but if we are going to invest a tax dollar into that situation, we want to make sure that at least the basic health and safety standards being met.

Do you disagree with that?

Ms. HOFFERTH. No, I do not disagree with that at all. It is just different monitoring relatives and informal arrangements than it is a center-based program.

As I said, one of the things that we did find from focus groups with families was that the low-income families were particularly concerned about home-based care and the safety of their children, because the home-based care, family daycare, in the areas where they live may not be the safest area, and if someone can just come into their own home, why can't somebody just come into their family daycare provider's home? They could be injurious to the child; there are dangers in this. They had more confidence in a group program that they knew about, and where they knew the access of other people was limited.

So that overall, family daycare, while I think there are some very good programs, has some of the same limitations as the environments of the children. That is not to say there are not some good programs, but there are some difficulties and concerns about family-based programs.

Senator DODD. No, no. I hope you are not being left with the impression that I think this is an indictment—not at all. Quite the contrary, there are some excellent, excellent programs out there. But we have to look at how those dollars are spent.

Finally, on the question of continuity. How important is it in a child's development that there is some continuity? I appreciate these ad hoc arrangements, and I know people go through that every day—with a sister 1 day, a grandparent the next, or a neighbor—but how important is it that the child have some kind of predictable environment, with familiar faces and continuity of teachers or child care workers? In your opinion, how important is that for that child's healthy development?

Ms. PHILLIPS. It is right up there with mom and apple pie. It is just a basic tenet of developmental psychology. And there have been years and decades of evidence, whether people were studying orphanages or foster care or child care, that it is one of the major predictors of children's development.

As you probably know, we do not have a lot of longitudinal studies of child care. We have longitudinal studies of early interventions. One of the few that we have has followed children into kindergarten and on into first grade. One of the single best predictors around the child care dimensions of their lives, of how they are doing in school, was the number of different child care providers they had in the preschool years. It is a very critical aspect of children's development.

Senator DODD. Dr. Hofferth, do you have any comment on that?

Ms. HOFFERTH. No.

Senator DODD. Do you agree with that?

Ms. HOFFERTH. Yes, of course. She said it all.

Senator DODD. Thank you.

Thank you, Madam Chair, very much.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF SENATOR DODD

I want to commend you for holding this important hearing on the impact of welfare reform on children, with a special focus on child care. Children must be at the center of our discussion of welfare reform.

I think we all share the same goal in reforming the welfare system—to encourage self-sufficiency and reward work. To get the job done, we must identify the barriers between individuals on welfare and work—and then do our best to eliminate those barriers.

I would suggest that one of the most significant barriers to work is a lack of affordable, quality child care. But most of the welfare reform proposals coming from the other side of the Capitol are woefully inadequate on this point.

Most of the plans would put welfare recipients to work. I wholeheartedly agree that work and job training requirements are critical if we ever hope to break the cycle of poverty. Placing work at the center of our welfare policy is the right approach.

But this raises an important question. Since two-thirds of families receiving AFDC have at least one pre-school age child, what happens to the children while their parents are at work? Where do they go? Who will look out for them?

The major Republican proposal in the House completely ignores these questions. They act as if the 4.3 million kids on AFDC under age 6 and the 3.8 million kids on AFDC ages 6 to 13 do not exist.

Rather than making a new investment in child care to make work requirements feasible, the House welfare reform bill would gut child care funding. The House bill would pull 377,680 kids from Federal child care support by the year 2000, and funding would be cut 24 percent by that time. The bill would also completely eliminate quality standards—even minimal health and safety requirements.

Demand for child care already outstrips the supply. There are now thousands of children on waiting lists in 37 States. You don't need to be an economist to understand what would happen if 2 to 3 million additional children need child care when their parents are put to work.

A bad situation will grow worse. Increased demand will drive up fees—pricing more working families out of the system. Former welfare recipients will find it difficult to remain in the job market if they have no one to care for their kids. The quality of child care will decline. We will find that we haven't reformed much of anything.

We must recognize that to build a welfare system that truly rewards work, we must have a national child care policy that makes work possible.

We have a wealth of hard evidence to prove this point:

A study by the Illinois Department of Public Aid found that 42 percent of AFDC recipients said that child care problems kept them from working full-time. Twenty percent said they had abandoned jobs and returned to welfare within the previous year because of inadequate child care.

Child care expenses and simple economics often conspire to make welfare more attractive than work. The GAO found that the median family income of the working poor was \$159 higher per month than those of AFDC recipients. But working poor families pay an average of \$260 per month on child care—more than enough to wipe out the economic advantage they get from working.

Senator Kennedy and I have introduced a bill intended to solve some of these problems. Our bill, S. 472, would create a flexible, high-quality State-operated program by building on the Child Care and Development Block Grant, the landmark bipartisan legislation from 1990.

Our bill would create a seamless system of quality child care that would allow for continuity of care for children as parents move from welfare to job training to work. It would provide parental choice among quality child care programs and increase the availability of care.

We would consolidate five existing child care programs and increase our Federal investment to accommodate increased demand related to welfare reform. The bill would ensure that the working poor, not just those leaving the welfare rolls, benefit from child care assistance. The bill sets aside 10 percent of the funds for quality, 10 percent for early childhood development and school age programs, and requires that 80 percent is used directly for child care services. The bill would also guarantee the no AFDC recipient is required to participate in a job training or work program unless child care is available.

The CHAIRMAN. Thank you, Senator Dodd.

Senator Jeffords?

Senator JEFFORDS. Thank you for your very, very interesting testimony.

I am chairman of the Subcommittee on Education, so my concern is the relationship of early training to education. The recent reports are as devastating as previous reports. I think the latest one showed that 52 percent of our high school graduates are functionally illiterate, that is, incapable of handling an entry-level job. Another report that came out earlier this week said businesses no longer look to high school graduates because they are just not competent, and someone has to train them.

What I am interested in is the relationship of early training. One of the interesting events I had in coming to the Senate was that one of the first groups that visited me was a group of CEOs who I thought would come in and talk about capital gains and other things. But what they said was you have got to fully fund Head Start. We are at 25 percent now, I think, and only 40 percent of our total youth population have any preschool education.

Are there any studies that would show the relationship of the 52 percent who are functionally illiterate relative to early school? Do we have those kinds of longitudinal studies, and if so, can you give me some examples?

Ms. PHILLIPS. Again, we have not followed children, this generation of children, who have been in all sorts of different child care arrangements, very far into the school year. So on that specific issue of how are they looking in high school, we do not know. We do know from early intervention research, research that has looked

at very high-quality programs that are designed to prepare children for school, like Perry Preschool and some of the highest-quality Head Start programs, that there, you do set children on a path that throughout their school career looks better than children who have not had those advantages as preschoolers, especially for very low-income children—lower rates of special education placement, repeat grades, et cetera.

What we do know from the literature on very typical child care is that any time you look at wide variety in quality, and you look at how the children are faring in terms of standardized assessments of their abilities, those in the very poor arrangements look bad. And it is not that any single outcome is showing a dramatic effect, because the children's home environments also influence them so profoundly. But you affect so many different domains of development, so you see detriments in their language development, in terms of how they are speaking, you see detriments in their vocabulary, you see detriments in their early understanding of numbers—and it goes on and on and on and on. Development is so interactive that each arena builds on the other, and if you diminish every little domain, you just have nothing for a child to build on.

I am very concerned about what we are going to see when we follow large cohorts of children into elementary school. Fortunately, there is now a major study being conducted by the National Institute of Child Health and Human Development of infant child care. It encompasses 10 sites around the country, and we are following 1,300 babies from the time they are born through whatever child care there is. We will follow these kids at least until they are 7, and maybe on further. So that we will in a couple of years, I think, have a very clear answer to your question.

Ms. HOFFERTH. And if I could add something to that, it is not just a matter of formal educational activities in the preschool years, but it is health, it is services that children get that they might not be getting elsewhere. So these are important building blocks for later life. Certainly the Carnegie report, "Starting Points," is important in pointing out how critical these early years are. We are talking about a major investment in children.

One of the advantages—it is like school—children are there for part of the day, and they can receive services, and you know where they are, and you can find these places and deliver services to them, where it might be harder to find a lot of separate, isolated families. If children are there, they are accessible, and it is really an opportunity to get children a good start in life, and that will carry over. Certainly as far as the programs for preschool children I mentioned the High Scope project which found savings of about \$7.16 for every dollar invested in that program—and that is through savings of not having children in special education, a variety of different costs that children who were not in that program incurred later on. It was quite a wise investment.

So I think that it is more than even just working preschool programs, but it is health, it is nutrition, immunizations; it is a variety of different kinds of services. And there are programs out there—for example, Head Start provides these now, and there are other programs that are heading in that direction, and I think that that is quite a promising route for us.

Senator JEFFORDS. My last question is in regard to special education. Are there any studies that show any relationship between those requiring special education and those who are disadvantaged in their early development?

Ms. HOFFERTH. What do you mean, "requiring special education"——

Senator JEFFORDS. Well, in other words, have there been any studies to see whether the portion of our special education population which requires IEPs and so on is related to the lack of early education?

Ms. HOFFERTH. Well, I mentioned the High Scope study, which found a clear difference between those people who participated in this program and not being in special education; those children who had received this high-quality intervention were much less likely to have received special education services and were much more likely, then, to have graduated from high school and have gone on to be productive members of society.

So that yes, there is a clearly relationship. That is probably the one that has been the best established of all the research findings.

Senator JEFFORDS. Go ahead, Dr. Phillips.

Ms. PHILLIPS. I was going to say that that has actually been replicated in a couple of other studies, so that is a robust result that we can count on, that if we make that investment, that is an outcome we will see.

Senator JEFFORDS. Thank you very much.

The CHAIRMAN. Senator Wellstone?

Senator WELLSTONE. Thank you, Madam Chair.

I was just thinking as the Senator from Vermont asked his questions about the connection between education and special education problems, having been a college teacher for 20 years of another issue. I think there is one area where the evidence is really irrefutable and irreducible, and that is that even before early childhood development, if a woman expecting a child does not have a diet that is rich in vitamins, minerals and proteins, that child at birth is likely not to have the same chance.

I say this because we are seeing proposed cuts in the Women, Infants and Children Program which I think are unconscionable. The medical evidence is just overwhelming on this point.

The subject matter today is the impact of welfare reform on the child care system, and I really appreciate the focus on the whole issue of quality.

I thank the two of you very much for your testimony, and let me ask you if the AFDC-related child care loses its entitlement status, what will be the impact on the families and the children?

Ms. PHILLIPS. My understanding is that you have to look at losing the entitlement and losing the guarantee at the same time. Not only are we not going to say to mothers, "We are going to be sure you have some child care before we make you go into the labor force," but it is also, I think, a code word for a funding cut. And if you then freeze the funding, again it comes back to the issue that we have come to several times, that if you have fewer subsidies, you are going to pit two, maybe even three, very deserving populations against each other even more than we already do—the third one, of course, being the children who require respite child care.

Protective services relies on child care a great deal to help abused and neglected children. So you have really got a third group in there that is going to be competing for a smaller pool of dollars, in the face of greatly increased demand for child care.

Ms. HOFFERTH. And there is no guarantee that expenditures for quality would be increased or even encouraged in that.

Senator WELLSTONE. So your point is—and I agree with what Senator Dodd said, and I think Senator Kassebaum is very focused on this, that some of the consolidation and block-granting and more flexibility to States can be very positive, which is I think the way the chairwoman of the committee views it—but your point is that we have to be careful that there is not a kind of slight of the hand, where actually what this ends up being is a cut in funding. I take it you do not think there can be any welfare reform unless there is affordable child care, but that affordable child care built into that definition is not custodial but developmental, what any of us would want for our children, and that that cannot be done on the cheap; is that correct?

Ms. PHILLIPS. Absolutely.

Senator WELLSTONE. And do you have any projections on what it would take to do that, financially?

Ms. HOFFERTH. All I can say is that I think we can agree that welfare is cheap. It is probably the cheapest system we have now. Just give a family a low monthly stipend—and that is \$20 to \$25 billion a year, something like that—services, but in addition to that, there is foodstamps, Medicaid, a variety of other services, and those services amount to a lot more. If we then add job training and other things, it is even more expensive.

So the stipend itself is the least expensive way we can go. Anything else is going to raise the issue of what about services that are needed. It is expensive, but I think we have to look at it a little differently than just simply a one-year cost allocation, where we are simply putting out this money, and it is spent and gone. That is now how most of us view it. It is an investment in the future. I mean, you would not think of living your life day to day and not investing and saving for the future, for some future outcome. And these children are the ones who will be growing up and will be hopefully contributing to Social Security. They are our future.

So I think we have to put it a little differently. I think a lot of the States actually have different funds for investments that are separated from their operating expenses, and so we have to think of it a little bit differently. These are investments; they are not just outlays, just like a monthly stipend for an AFDC mother sis—that is gone. These are different.

Senator WELLSTONE. Yes; I would not quarrel with you at all.

I am going to just ask one final question, but to lead up to my question, Madam Chair, I would like to include in the record a study that was recently done by the Greater Minneapolis Daycare Association. It ties in so well with this whole issue of welfare reform, and I will just read from the conclusion.

"We believe the unintended message of the current system is 'quit your job, go on AFDC, then get another job, and you will receive child care services.'" We are talking about deserving populations, and I am talking about moderate working families. "In the

end, many families do whatever it takes to survive. While waiting for child care funding"—and we have a sliding fee scale program in Minnesota, but there is nowhere near the funding we need and long waiting lists—"47 percent of families relied on foodstamp and medical assistance programs. Almost one out of four families on the waiting list left jobs or job-related training and turned to AFDC because they had a better chance of being able to survive."

So here is my question. I have been thinking about this, and I was really troubled by the response of Mr. Phillips to my question—not troubled with Mr. Phillips, but just his brutal candor, and I am just trying to figure out where we are at right now in the Congress and in the country on this question. We are saying that if you want to have reform, not something that is punitive and degrading—I do not see anything that is reform on the House side; it looks very punitive and degrading to me at the moment—and we are saying that affordable child care, and this means with high standards, has to be a part of welfare reform—I think we all agree on that, we have also agreed that it has to be an investment of resources so far. But then, if we limit it to AFDC families, it seems to me that we invite backlash and some anger, and I think deservedly so, from moderate working families who say, "Wait a minute. Susan Smith is working with me, and she has child care paid, and we have not been able to get any of that." I mean, that makes no sense at all. There is no fairness to this. She is on welfare, and she gets this; we are not getting any help at all, and we are having a heck of a time.

So it strikes me that and I am working on a bill to this effect, and I really appreciate the work of Senator Dodd and Senator Kennedy—you would really have to reach this—not all the way up the income scale—but you would have to focus on these moderate-income working families as well, on a sliding fee scale basis.

My point is that all of this—as I have asked the Congressional Budget Office to look at this—believe you me, is not inexpensive. So my question—does this not require, this welfare reform, much less high-quality child care for children and families in our country, not just welfare families, but a family child care policy, a) a commitment, be it home or be it center-based, of a significant amount of money; and b) if we are not going to spend that money, if instead we are just about the business of cutting, shouldn't we just admit right now that we are not doing anything for these children, that we are not doing anything to respond to these problems? Isn't it one or the other?

Ms. PHILLIPS. Let me try to say a couple things about that. There is no way you can do a really good job on the cheap; somebody said that earlier. The answer is yes, it will take an infusion of substantial new money.

I am impressed by how far the money that you have put into the system in the last 5 years, which is not insubstantial, has gone. Frankly, I am surprised. I was very suspicious in 1990 because I was very concerned about the absence of the quality protections in the bill, and I wanted to see more money for that. What has impressed me as I have looked at the national data and talked to people at the State levels and been in child care programs is what they have done with how little they got.

So in a way, my answer is yes, it could take tons, but if that looms that large, then I think you do run the risk of paralyzing yourself almost. Do not minimize the value of continuing on the path that we have now started. Do not stop it, for goodness' sake.

Those of us who are about children and child care are really looking to the Senate, are really looking to you to make sure that does not happen. I cannot tell you that strongly enough. I wake up at night thinking about this. So a little bit is a lot better than nothing; let me put it that way. And I do not want you to minimize the effectiveness of what you have already done. Just do not stop the progress.

Ms. HOFFERTH. I think we have substantial evidence that the money that has been spent has done a lot of good for children. To emphasize your point, unfortunately, a lot of it has gone to those with parents who are not necessarily in the work force, and what we would like to do is make sure that there are enough funds to go up a little higher so that there is not this disincentive, and it is the carrot as well as the stick, to try to make sure that once people are off, there is an incentive to stay off. I believe it is the working poor and just about the poverty who, at least my evidences suggests, who are not benefiting as much, either from the benefits for the very lowest-income, or from the tax credit, which has always been a major source of funding for middle-income families.

Senator WELLSTONE. Thank you very much.

The CHAIRMAN. Senator Ashcroft?

Senator ASHCROFT. Thank you, Madam Chairman.

I was interested in the comments that you made about the continuity of care and the remarks made by Senator Dodd. It seems to make sense to me. Do you know if there are studies that talk about the persistence of employment in the child care industry, and does the data on persistence of employment vary in different kinds of care settings?

Ms. HOFFERTH. Do you mean—

Senator ASHCROFT. How much turnover. It seems to me that you could go to one school, and if they had new workers there every week, it would be in some respects like taking them to a different setting every week. What kind of persistence and continuity of employment do they have, and are there studies about that?

Ms. HOFFERTH. Yes, there is a study, a profile of child care settings, which was funded by the Department of Education in 1990, that compared turnover in different kinds of programs—Head Start programs, public school-based programs, and private, not-for-profit centers and for-profit centers, and they found that the lowest turnover, not surprisingly, is in the public school-funded preschool programs because their salaries are much closer to that of the public schools. It is clearly totally congruent with salaries.

The next lowest level of turnover was Head Start, and their salaries are higher than the typical center, but lower than the public school-based programs. And then we go down to the not-for-profits and then the highest turnover was in the for-profit.

So there are clearly differences, and it is very associated with the wages and salaries and benefits of the teachers in the program.

Senator ASHCROFT. In the longitudinal studies, have you measured progress of recipients of that kind of care? Do students who

have been in the public schools do better, and do they track down that ladder, so to speak, in descending levels of achievement following the descending levels of longevity for workers?

Ms. PHILLIPS. The simple answer is yes, it matters.

Senator ASHCROFT. Are there studies that carry us in that direction and that validate the sort of hypothesis that if you do not have kids exposed to people for a prolonged period of time, it somehow impairs their ability to succeed later on.

Ms. PHILLIPS. For the children.

Senator ASHCROFT. Yes.

Ms. PHILLIPS. Yes. Turnover in caregivers predicts outcomes for children. That is documented in multiple studies—even on into the kindergarten10 years.

Senator ASHCROFT. There are some questions—and I just have this anecdotally—are there longitudinal studies that follow individuals who have had this kind of early care, showing that they do better in the first couple of grades, but the rest of the kids catch up along about grades 5 or 6. Are there such studies, and are they anomalous, or are they pretty much the evidence about what happens?

Ms. PHILLIPS. I am sure you are thinking about the evaluations of some of these early intervention programs, Head Start and so forth.

Senator ASHCROFT. Yes.

Ms. PHILLIPS. If you simply look at cognitive gains, tests on cognitive development and achievement outcomes, yes, you see a plateau at around 3rd grade.

Senator ASHCROFT. So for the cognitive learning skills, once you get to the 3rd grade, the advantage of being in Head Start washes out?

Ms. PHILLIPS. Right, for many kids. What you see continuing, however, is the issue we were talking about a moment ago—lower rates of special education placement, lower rates of dropping back behind in grade, fewer behavior problems. So you have got to look at different outcomes when you start looking at the longitudinal effects. You get different pictures, depending on which outcomes you look at.

Senator ASHCROFT. So that for academic achievement, generally, there is a parity for those who are in Head Start and those who are not in Head Start—by the time you get to around the 3rd grade, with these other indices, there remains a disparity.

Ms. PHILLIPS. Yes.

Senator ASHCROFT. Let me just follow one other line about the quality of care. There seems to be a suggestion that if States were to be given the authority to design programs and so on, that somehow, care would slip. Is there a reason that is automatic about that, or is it just the assumption that we care more about quality from 1,000 miles away than they would from on site, or what is it?

Ms. HOFFERTH. The only evidence that we have right now is what kinds of programs States currently have in place. One of the indicators might be regulation. There is a wide variety in the level of regulation, the extent of regulation, in different States, and that could be one indicator of how States might go about it. Another one might be level of other kinds of resources contributed to chil-

dren. I know there have been a number of reports comparing States on their overall level of funding for children's programs at the present time, and that might give you some indication. I cannot say that it would necessarily be consistent, but there is certainly variation from very high levels in some States to extremely low levels per child in some States, and that would give you an indication.

Senator ASHCROFT. Of course, for certain criteria, the needs would be different in different localities. I mean, for a certain neighborhood, you would have a different demand for security, a different need to protect children from traffic, or a different need to protect them from assault.

Are there child care advocacy groups in virtually every State in America?

Ms. PHILLIPS. Yes.

Senator ASHCROFT. Pretty significant, in terms of their organization and their activity?

Ms. PHILLIPS. Yes, there are. I mean, they vary tremendously, again. We have resource and referral agencies in every, single State in this country, in many, many communities.

Senator ASHCROFT. I am just wondering if there might be agencies that could help in the event we were to make a decision about allowing States to have authority to structure programs, and that they might be interested in making sure that those programs were cost-effective and that they also guarded the interests of the children.

Ms. PHILLIPS. They will be very interested in that. I think the issue is what are the odds they are going to be up against. We know that before the Federal Government set aside a little bit of money for quality, a lot of States were not doing things, and that that money made a tangible difference in what we are seeing out there in the landscape of child care.

Part of what I am hearing about why that happened is that with all of the pressures now that are just going to get greater to channel every, single penny you have into subsidizing families, you get more families in child care of whatever quality, that by being able to say, look, the Federal Government said I have got to reserve this little bit of pool of money for quality, States were able to bear up under that pressure, if you will. It will be very interesting to hear what some of your other witnesses who are working at the State and local level have to say about this. But they are just under immense pressure for every, single child care dollar they have, and I think it did make a difference for the Federal Government to say we care enough that some of your money goes directly into that infrastructure, which benefits all families, that we are going to send a message about that.

Senator ASHCROFT. Thank you very much.

Senator KENNEDY. Madam Chairman, if I could just get a clarification of one point.

The CHAIRMAN. Yes.

Senator KENNEDY. In response to the Senator's questions about Head Start children and what happens after a period of time, putting this in proportion, because I suppose there will be some who say that if at the end of 3 years they are at the same level, then why do we have a Head Start program—is the other side of that

that if the children did not participate in that program that they would not even be close? You put it in your own words about—I guess there are some differences; one is in the cognitive skills, and then other kinds of behaviors. Perhaps you could just address that briefly so that we have kind of a complete record. I do not want to spend a lot of time on it, because we have other important witnesses to hear from, but I did not want to leave that sort of hanging out there.

Ms. PHILLIPS. Exactly. I know people blame Head Start for the fact that it is not a cure-all forever and ever and ever. What is amazing to me, actually, is that the effects of Head Start last into the early years of elementary school. I look at it very differently. That is not easy to do for children, especially when you then subject them to environments that are not particularly supportive of their educational progress in many cases, and environments that are not supportive of their educational progress.

So the fact that it kind of shores them up beyond the end of the program at all, I find a testament to the strength of that program. We do not know where they would be if they did not have Head Start. They probably would have fallen back much sooner. They start kindergarten off at a much better place than the kids who do not have the advantages of those programs. And again, I do not think we can minimize these other outcomes because special education placements staying up at grade level are major predictors of school dropout. They are very important outcomes.

Senator KENNEDY. So one is the cognitive level, and then you also have a behavioral level, where you find that the benefits of those early interventions can remain with children even after 3rd grade, for a longer period of time.

Ms. PHILLIPS. Yes. I think that is a lot of what explains, actually, the special education outcomes. These children are not serious behavior problems, they are not having to be withdrawn from your mainstream classrooms, as are other children who are very much like them.

Ms. HOFFERTH. I would like to reinforce that as well. Children are in Head Start for maybe a year, at the most 2 years. It is not a long time. And then they go right back into the same communities where they were before. So you cannot expect necessarily that, without continued interventions, those benefits in every area are going to remain.

I think the other thing to add is that the jury is not totally in on all the possible outcomes. We still keep seeing things cropping up later on, and very positive effects of some of these programs.

Senator KENNEDY. We added some mentoring program last year in the Title I programs to try to continue some of the support for those children who had gone through the program, because that seemed to have some positive effect.

I thank the chair.

Senator DODD. Madam Chairman.

The CHAIRMAN. Yes?

Senator DODD. I just wanted to make one other point, just to clarify an issue raised earlier. Do either of you know whether there are any States in the country that do not have a consumer affairs department?

Ms. PHILLIPS. I do not know.

Senator DODD. I think it is safe to say that virtually every State in the country has a consumer affairs department.

Ms. HOFFERTH. They must.

Senator DODD. I make that point because that does not mean that we would eliminate a set of regulations to watch out for businesses, banks, lending institutions of one kind or another, that might in some way take advantage of consumers to some degree. So the mere existence of these departments does not necessarily obviate the necessity of having a regulatory scheme.

Ms. PHILLIPS. Oh, yes.

The CHAIRMAN. We have two excellent panels still to come, and I hesitate to even say "one more question." But just very briefly, have either of you taken any look at how much difference a parent makes when they are involved in the day care program? You have talked about a lot of different programs, and quality and monitoring, and so forth. But in the Head Start program, it is required that a parent participate, if I am correct. That is one of the great strengths of the program that you can really see in the older, really strong Head Start programs.

Have either of you done a study to show what impact there has been on quality, where you have strong parental participation?

Ms. PHILLIPS. I have not looked at that specific issue, but let me comment on it in the following way. We do know from other research—not my own—especially in the Head Start program, that parent involvement is a quality factor, that it does make a difference for children.

Perhaps even more profound, though, is that it makes a difference for the parents in that there is a way in which Head Start is one of the best job training programs we have in this country. And I think it was the brilliance of its creators and of those of you who have worked so hard to shore it up in the recent years that in fact it is a fabulous opportunity for parents to develop not only parenting skills, but also to begin to get a leg up for their own career and profession.

The CHAIRMAN. Thank you very much, Dr. Hofferth and Dr. Phillips. You have been very patient in answering all of our questions, and we thank you so much.

It is a pleasure to welcome our second panel, and Senator Jeffords, who has to leave in a few minutes, would like to introduce one of the panelists, Tamara Elser, from Vermont. It is a pleasure to welcome you.

Senator Jeffords?

Senator JEFFORDS. Thank you. Well, I just rearranged my schedule in view of the fact we are not in session, so I thank you. I was supposed to be presiding, but that is no longer a necessity, so I will be able to stay.

Madam Chairman, it is my pleasure to introduce to this committee a courageous Vermonter who is working her way toward self-sufficiency. Tamara Elser came to Vermont to escape an abusive husband and to provide a better life for her children. She has had to raise her children as a single parent, dependent on government support, without the financial or day-to-day help of their father.

As she points out, unpaid child support is an important missing piece in this picture. The custodial parent is subject to charges of abuse if he or she is neglectful in time, attention or support. Noncustodial parents are subject to no such charges of abuse. We must address this discrepancy in our society that does not hold both parents accountable for their children's well-being.

While on AFDC, Tamara has been able to go to school thanks to subsidized child care, and is now close to graduating with a 3.5 grade-point average. Soon, she will be able to support her kids without the State's help.

Allow me to introduce Tamara Elser, from Fair Haven, VT, Madam Chairman.

Ms. ELSE. Thank you very much. It is quite an honor.

The CHAIRMAN. It is nice to have you here.

Senator MIKULSKI. Senator Kassebaum, may I introduce Dr. Lerman?

The CHAIRMAN. Please.

Senator MIKULSKI. And first of all, I want to welcome all of the panelists. But I would like to bring my colleagues' attention to the fact that we will be listening shortly to Dr. Robert Lerman, a constituent of mine who is a professor of economics at the American University, and I believe also served in the Carter administration.

Dr. Lerman's real expertise is the role of men in the whole public welfare debate. This is something that I believe has been overlooked and often minimized. Dr. Lerman has written a great book called "Young Unwed Fathers," and I know we will be hearing many of his policy recommendations, because I truly believe that if welfare reform is to be successful, we must include men, and Dr. Lerman has some excellent ideas to bring to our attention. And also, it is a great book that you can read when you are not presiding.

The CHAIRMAN. Thank you very much, and if I may just introduce the rest of the panel, Jane Ross is the director of income security issues at the General Accounting Office and has been responsible for a very thoughtful GAO study that is very relevant to our discussion today. We have heard the introduction of Ms. Elser. Our other witness is, Patricia Siegel, who is the executive director of the California Child Care Resource and Referral Network.

It is a pleasure to welcome everyone.

Ms. Ross, we will start with you, please. I would like to note for the record that you are accompanied by Lynne Fender.

STATEMENTS OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC, ACCOMPANIED BY LYNNE FENDER, ASSISTANT DIRECTOR; TAMARA ELSE, FAIR HAVEN, VT; PATRICIA SIEGEL, EXECUTIVE DIRECTOR, CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK, SAN FRANCISCO, CA; AND ROBERT I. LERMAN, CHAIRMAN AND PROFESSOR, DEPARTMENT OF ECONOMICS, THE AMERICAN UNIVERSITY, WASHINGTON, DC

Ms. Ross. Thank you, Madam Chairman and members of the committee. I would like to talk to you about our work on the cur-

rent child care subsidy system and the impacts of welfare reform on child care.

I want to focus on three topics—the gaps among the four current child care subsidy programs that make it difficult for moms to work; some of the supply shortages that we have found, particularly for certain kinds of child care; and the implications for program consolidation as well as the impacts of welfare reform on child care.

As you know, most mothers' decisions to work depend partly on how much money they have left after paying for child care. This is an especially important piece of the puzzle for poor families, who may use up to one-quarter of their income on child care.

One piece of our recent analysis reported the effect of child care subsidies on the likelihood that mothers would work. We found that of every 100 poor mothers who are offered a full subsidy or 100 percent payment for child care, 44 would go to work as compared with 29 if they did not have a full subsidy. That is a pretty dramatic 52 percent increase.

Now, Congress obviously recognized the importance of child care when there was a welfare reform effort in 1988 and subsequently four separate programs were enacted. The Congress, I believe, thought they were providing discrete programs for four discrete groups of people—women who were on welfare, women who had just come off welfare, the working poor who were not on welfare anymore but certainly were at some risk of going back on, and then working women who may never have been on welfare, but their incomes were less than 75 percent of the State median income.

What we found as the net result of having these four programs is that gaps developed between them. Because there were differences in rules among the programs, gaps developed. We tried in our flow chart over there to demonstrate some of the problems—obviously, it is too small to read the print, but there is a copy of that chart in your written statement.

Let me just talk about a couple of the gaps or problems that occur because of the rules of the programs. One program provides no subsidy for job search, so that if you lose your job, as many people do, or if you decide to change jobs, and you are looking for another one, you cannot get a subsidy from this particular program. Well, many of those women who find themselves having lost a job have to go back on welfare in order to get child care to look for another job. That does not seem to make sense.

Also, one of the programs has a limit of 12 months for the subsidy. If you have just come off welfare, in that first year, you may not have a raise, or you may have just a small raise; yet the subsidy ends at the end of 12 months in any case, regardless of whether your circumstances have changed. If you are lucky, and you live in a State where there is other child care money, maybe you will move into a different program—and perhaps not.

We also learned, as people have talked about already this morning, that in many States, the money that has been anticipated for the working poor population is actually going to some of the mothers on welfare. This is pitting two groups of people who do not really deserve to be pitted against each other. Working mothers have very fragile economic situations.

We also found waiting lists of thousands and sometimes tens of thousands of working poor families, waiting for subsidies. We cannot tell you the extent of the unmet need among working families across the country because not every State keeps these kinds of lists.

Besides the problems that this story creates for the moms, there is also a continuity of care problem for kids. We have talked about that in the last panel.

In the second study that we have done that is still underway, we are finding shortages of particular kinds of child care, and I think that that is important to raise. We went to Florida, Michigan, Minnesota, Ohio, and the State of Washington. Some localities face overall supply problems, but nearly all the places that we visited faced specific kinds of shortages, for before and after school care, for sick children care, for care for infants, for care for children with handicapping conditions, and then late-night shift work and part-time child care. I will elaborate on two of these.

Before and after child care is a very important kind of part-time care, and most child care centers and family day care providers want to hold out for a full-time person paying, not just part-time. So a lot of moms are left hoping that the school in which their child is enrolled has some before and after day care provision.

In an urban county we visited that surrounds Lansing, MI, officials told us there is only one place in the whole county that has before and after school care. So that is a problem.

Second, most States we visited said they had extraordinary difficulty finding child care for night shifts, and yet in many localities, that is the kind of work that welfare moms do; they work at minimum wage jobs in hotels and motels, in restaurants, hospitals, 24-hour discount department stores. Finding care is especially difficult in these circumstances, and of course, moms are worried in any case, because they are worried about their kids being away from home at night.

Let me just finish by talking a bit about the implications of our work for the discussion of child care consolidation and welfare reform. Obviously, our study about the gaps in these four programs underscores the fact that consolidation might be effective; it might allow the States more flexibility in deciding how to meet their own priorities, how they want to address the child care needs they have, whether they want to do it with a single kind of income definition, and it would offer more opportunities for seamless service to benefit moms and children.

Our ongoing studies have also demonstrated these child care supply shortages. These shortages are showing up at a time when jobs are serving only a small fraction of the adult AFDC recipients. The States we visited were serving only 15 percent of their total AFDC caseload now, and they were seeing these particular kinds of shortages.

So that welfare reform proposals that talk about increasing the numbers of moms required to participate, or limiting moms' time on welfare, or moving people to public service employment, need to proceed cautiously with an eye toward the capacity of the child care system to absorb this demand.

Thank you for the opportunity to talk about our findings, and I would be happy to answer questions.

The CHAIRMAN. Thank you, Ms. Ross.

[The prepared statement of Ms. Ross may be found in the appendix:]

The CHAIRMAN. Ms. Elser?

Ms. ELSEER. Thank you, Madam Chairman and members of the committee.

Today I would like to tell you about my experiences as a single parent raising three children who are in the daycare system.

As Senator Jeffords said, I am a single parent with four children. My oldest child is 21, and he goes to college in Gainesville, FL. My three younger children live with me.

Recently divorced from an extremely abusive man, I left Florida to come to Vermont 4-1/2 years ago, bringing with me two of my three children. The youngest was age 2, the oldest age 6. I had three suitcases and less than \$10. I arrived prepared to give my unborn up for adoption, believing that I could not possibly support all of these children on my own.

I was also trying to escape from the abusive situation which my divorce had not put an end to. Two weeks after arriving, I realized that whatever it took, I was going to parent this baby; I was going to become independently self-supporting, and I was going to recover from the many years of intermittent traumatic abuse I had suffered. I was also going to help my children to recover from this.

I wanted to be able to provide for my children as many opportunities as possible. I wanted to work, to free them and myself from the stigma of poverty. I wanted to break out of the cycle of abuse and become actively involved in speaking out on behalf of others who had lived as my children and I had.

Many forms of help have presented themselves to me, one of which, and the first, came in the form of the Vermont Social Welfare Program. This provided a bridge from destitution and my previous abuse to independence and safety for my children and myself. My extremely kind and very encouraging caseworkers at the Department of Social Welfare have guided me through the maze of paperwork involved in making it possible for the State to assist me with the necessities of shelter, adequate nutrition, and medical care. In addition, those workers provided me with career counseling, which led me to become involved in a Reach Up Program as a means of obtaining a college education.

I had left school in the 11th grade to become a parent to my now 21-year-old son. I was working at minimum wage jobs when I acquired my GED at age 21. These jobs provided little experience and education with which to continue to support my family once I had left the abusive situation I was in. I felt that a college degree was my only hope of comfortably and adequately supporting my family.

As Senator Jeffords mentioned, child support should have been of help to me in this endeavor. However, over the past 4½ years, my children's self-employed father has failed to comply with the court-ordered support. It quickly became apparent to me that if stricter laws were not brought into effect, I was never going to be able to depend upon shared financial responsibility for our children. My lack of skills and the financial neglect on the part of my

ex-spouse, coupled with the fact that I was now alone in Vermont with no family support—my family resides in Florida, and my mother passed away when I was 10; I have every little family support—this left me totally dependent upon the Government-funded resources that were available to me at the time and are still available.

One such resource has been the provision for child care expenses without which I could never have considered returning to college. Without this extremely important service, I would not have had the opportunity to develop skills and training which would allow me to go to work, to adequately support my family in a comfortable situation without needing the support of Medicaid and foodstamps in the process.

While I have benefited greatly as a result of the Reach Up Program and as a result of the State welfare program—and I cannot stress enough my gratitude for these programs—it has not been without its drawbacks. Wading through the regulations and paperwork, taking time out of my busy class schedule and study time to present myself for periodic reviews, and trying to explain to new case managers my needs for child care at times becomes overwhelming. The paperwork becomes another time constraint in addition to my responsibilities to my family, my classes, and the volunteer work I do at the local battered women's shelter as part of a coop for which I receive credit in college.

Child care funding is, from my understanding, provided by two separate resources, both of which are regulated through my Reach Up case manager. Through social and rehabilitative services, my registered daycare provider is paid for regulated hours, which often are not enough to allow me to fulfill my college requirements of homework, clinical and/or internship training, and class attendance.

Through another fund, nonregistered daycare workers are paid. These workers are often needed for hours when more structured daycare providers do not work. Such nonregistered daycare may be necessary for classes held after those hours or for time needed during the weekend to study in the library, especially at times when term papers are due and finals are upcoming.

Regardless which type of daycare is utilized, regulated time restrictions often prevent me from participating in many activities that would be of benefit to me. Typically, college professors suggest that for every one hour of class time, a total of 2 hours of study time at a minimum should be devoted; yet I am allowed only one hour of child care for every one hour of class time, in addition to which I am allowed minimal travel time.

I am a full-time student currently enrolled in four classes and a coop which involve 7 hours of class time per week and 20 hours of internship, for a total of 15 credits.

In addition to time constraints, one must consider the conditions of daycare. Overworked social and rehabilitative service workers cannot possibly monitor every child care provider and her facility as closely as need be. At times, my children have encountered appalling conditions in child care. Often, these conditions were not apparent to me at the initial interview or subsequent interviews with those workers. These conditions have caused me to search for

a more suitable environment for them, sometimes in the middle of a semester, when I have little time and perhaps only overnight to find new day care.

Securing such a situation when many providers are already caring for the maximum number of children allowed by State regulations is difficult. Considering the low standard and pay that child care providers have been conditioned to accept, what can one expect, even in the best of child care environments?

Our children should be our primary concern. After all, their upbringing predicts the attitudes and behaviors which they carry with them into the future, a future which is shared by all of us. We hope that we will find our children leading productive lives, contributing productively to society. Our daycare workers become a major influence on our children, who spend the majority of their waking hours in their care. Are these workers paid enough to ensure that our children receive appropriate social skills training, supervised help in learning to speak properly, to learn letters and numbers, and to write their names before kindergarten?

Is it any wonder that some of the care providers merely sit their charges in front of television sets, or turn them loose in unsupervised play where they can be hurt?

Further, is it any wonder that we then hear kindergarten and first grade teachers complain that they must teach children to sit properly in class, behave appropriately, and even dress appropriately before they can ever begin to teach them the skills necessary?

We often look down on working class families or ridicule excessively the poverty-stricken families, especially those on State assistance, accusing them of bad parenting skills. However, I am here to tell you that often we feel robbed of the opportunity to bond with our children and to learn with them, and they from us, at a very early age. We have entrusted these underpaid daycare providers to take the place of family learning opportunities and necessary bonding, sometimes leaving our children floundering and insecure. For some, this situation will occur due to current welfare reform guidelines.

Children whose parents attend school or work odd shifts may find themselves shifted from one daycare provider to another, forcing children to adapt to several sets of rules and daily routines, which ultimately may confuse and frustrate them. What are we doing to these children who are our future?

Clearly, it is the desire of the majority to implement some form of welfare reform. However, before this can become effective, I implore you to consider the need for long-term child care provisions, to consider the need for more exemplary providers and wages for those providers which match the tremendous responsibility placed upon them.

In addition, I absolutely implore you to very seriously consider the issue of child support. Consider the right of our children to be supported by both the custodial and the noncustodial parent, financially and emotionally, without exception. Such support may be important in terms of paying child care while the custodial parent is working. Consider the idea of criminal charges that involve neglectful abuse when court-ordered support goes unpaid.

Please also consider that for many women, welfare is a bridge. Many of us have had the courage to leave abusive situations and truly have no intention of remaining dependent upon anyone, including the State in which we chose to seek refuge. When one considers the number of women who are abused and the number of women who are killed in the process of trying to leave, courage is an understatement. When we consider the children involved in those situations, they are very courageous as well.

I implore you to consider the fact that for those women and their children, full recovery may not be accomplished within the time frame allowed by some welfare reform ideas. For others, that recovery may be possible, but setbacks may be it.

Consider a sick child whose daycare provider will not accept responsibility for him or her until the child is asymptomatic. When a sick child cannot attend daycare, and no friends or family are available to help, such as in my case, a mother is torn between maternal instinct, which begs her to remain home to care for her child, and an employer who will frown upon absenteeism.

I have an asthmatic child and am often in this situation. I am freer to exercise absences in college than I may be in the working situation.

Many issues must be seriously considered before any welfare reform package can be effective, in such a way that all Americans benefit, including our children, who ultimately must be our future and should ultimately be most important to every, single one of us.

Thank you very much.

The CHAIRMAN. Thank you, Ms. Elser.

[The prepared statement of Ms. Elser may be found in the appendix:]

The CHAIRMAN. Ms. Siegel?

Ms. SIEGEL. Thank you, Senator Kassebaum and members of the committee. I am delighted to be here, and I have to open by saying that I am very encouraged by the thoughtful consideration that your committee is giving to child care today. I was rather depressed last week when I sat in the markup in the opportunities committee, where things were happening very, very fast, and I am very proud that you are giving such thoughtful debate today.

I am here in my capacity as executive director of a statewide organization in California that for the past 15 years has helped thousands and thousands of California parents of all income levels find child care. And I was struck by Marcia Clark in the O.J. Simpson trial the other day, where we finally saw child care get in the news. Why? Because a working single mom, Marcia Clark, needed child care and did not have that emergency sick backup that the GAO reported.

This morning, when I was thinking over my testimony, I really thought of my dad, who has been dead now for 4 years. My grandmother, Brigitte Walsh was a working widowed parent who came as an Irish immigrant. And what I thought about was that my grandmother never had to go on welfare because my grandmother had in 1920, believe it or not—and there are many folks here from the Child Welfare League—my father and his three sisters attended the Saint Vincent's Day Home in Oakland, CA, where I

come from, and they had quality child care from the time they were preschoolers all the way through school-age care.

Well, I am proud to say that Saint Vincent's still continues. They had their 75th anniversary 5 years ago, when my dad was still alive. And they now serve many of the child care with funds from the Child Care and Development Block Grant, IV-A At-Risk, and the GAIN child care funds in California.

What I hope you will do today is keep my father, Henry Squires, in mind, and my grandmother, Brigitte Walsh, because they were able to work, and they were able to succeed. My dad went on to become a very wonderful principal of a large elementary school for his whole life in Oakland, CA until he died. That is what this hearing is really about, that kind of real opportunity, and it only comes about when there is good quality child care.

So that as you can imagine, this is deep in my roots.

I am sure that all of you last weekend saw the very good article in The Washington Post—I hope you were able to read it—that documented the stories of five welfare mothers and their struggles to become economically independent. It might have seemed a little disappointing that child care was not the sort of flashy news of the article, and I wanted to draw that to your attention because child care is seldom the flashy news, unless Marcia Clark needs it in the middle of the O.J. Simpson trial. But think of it as the I-beam in house construction. Every one of the parents, if you read this article closely, needed and used and depended upon continuous child care assistance on their path to economic independence. So keep those parents in mind as you go through this debate.

I have spent the last 23 years—and I will not go through all the history; it is in my testimony—people ask what about working parents. I myself was a working parent of now 23-year-old twins and an almost-26-year-old son, and I needed child care so that I could go back to my job of teaching French part-time.

Well, I never quite got back to teaching French because helping parents to find child care became a full-time passion and job for me that has never stopped, and I have the feeling that I have quite a lot of work left to do.

What I really want to focus on today is what happens to the real parents that we talk to. They are documented well in my written testimony, but I would just like to highlight a few of the examples so that as you consider how you are going to balance this incredible new child care need that will absolutely come from welfare reform—the previous panel has spoken to it, and none of us can have any doubt—how are you going to balance that with the needs of the working poor and the needs of middle-income parents, who really want to know from all of us what are we doing for their kids.

Let us start with someone from your district, Senator DeWine, and that is Kleopatra Blackwood from Cleveland, OH. She is a single parent of a 4-year-old girl. Kleopatra and her daughter were on welfare for a year and a half. Like many Americans, she needed AFDC to provide food, medical services, and housing for herself and her child; but she had no intention of remaining on welfare. And if you read through my testimony, if you listen to people like Tamara, you know; if you listened to the parent who was here yesterday from Topeka, people just need a little bit of child care help

for a while so that they can get on that road to independence. They do not want it forever. They do not want to stay on welfare. They are together with all of us in the desire to end that dependency.

Kleopatra, with help from the JOBS program, was able to get training and earn a certificate in office administration. Six months later, which is really good, she got a job earning \$4.92 an hour, which equated to about \$962 a month before taxes. She has since been promoted twice and she is now making about \$1,319 per month. She received child care subsidies under the JOBS program—and in the opportunities committee last week, that guarantee was erased, wiped out. She started off receiving subsidies there, and now she has continued to receive subsidies through the Child Care and Development Block Grant.

I want to say to you that States like Ohio and Indiana have done a wonderful job of putting together seamless child care systems, with assistance, with the quality dollars that have been available in the current Child Care and Development Block Grant. I think that as we look at consolidations, and as we look at some of the good examples, Senator, in your own State and certainly in Indiana, you have to know that those did not just come from nothing; those came when people had the time and money to do planning.

I am not going to go through all these examples, because I think that what is clear is that there is a definite math to the ability to be self-sufficient and the ability to pay for child care. And when you add up the monthly expenses of either Kleopatra, Joanie from Costco in San Diego, what you are going to see is that they have left \$200 a month, \$130 a month. They certainly do not have enough to pay for food, to feed their children, to pay for child care, to pay for medical expenses. They need continued assistance. Child care is the turnkey to economic independence.

Let me just give you a dramatic example of how far we are from really getting to that place right now in San Diego. In San Diego County, CA—I prepared these comments a few weeks ago—we have over 11,666 children fully eligible—they have already gone through the documentation—fully eligible for Federal child care assistance. We have currently 1,536 slots available in that county from Federal child care funds. That means that the odds for the working poor, or parents just coming off of ADC, the odds of those parents finding good quality child care are one in 14. If you add in the pressures that any State is going to feel with welfare reform coming down, with what happened over on the House side last week, we took a \$340 million cut in fiscal year 96—\$340 million less for child care, when the odds are one in 14 of ever getting off the waiting list. That is just not acceptable. We will not be able to reform welfare in that manner.

I want to talk a little bit about the “only ifs” that Senator Dodd so articulately spoke to earlier, and I am so pleased, Senator, to see those “only ifs” which have emerged in the very thoughtful bill that you and Senator Kennedy have put together, S. 472, and I hope everyone will look at that as a real road map and blueprint for where we need to be going.

We do not have enough quality child care; that has been documented by the GAO. We have particular shortages in three areas.

And Senator DeWine, this is "Charlie" from Guernsey County, OH. This is a preschooler who needs care.

We have "Juan," a 9-year-old from Fresno County—and we had to question on school-age care and what happens, are children at risk—the children who are most at risk are the school-age children in this country, because somehow we get the idea that once "Juan" is 9 years old, maybe he can be home alone. I hope that every one of you will reject that notion and make sure that the resources are available for all ages and stages, because "home alone" is not safe; it may have been a cute movie, but it is not a cute reality for children in this country.

And finally, we have baby "Molly" from Boston, CA. She goes to a wonderful program, a toddler program operated by Associated Daycare Services, which has benefited and grown with funds from the Child Care and Development Block Grant.

I know time is short, but let me just finish by saying that consumer information and consumer protection are vital. My life's work has been in child care resource and referral, helping parents to find quality child care. We are very active in all of your States. What I want to say to you is now you see us, no you don't. In the last 2 weeks, in Alaska, in Maine, and in New York, the State dollar commitments to R and Rs have been proposed to be eliminated in what are the extraordinary budget constraints that those States are facing.

If you look at the Child Care and Development Block Grant dollars, the quality set-aside that is so important—and thank God, in the Dodd and Kennedy bill that has just been introduced, those quality funds are doubled; if I had my way, they would be quadrupled, but I have to be a little realistic—and thank you for doubling them to 10 percent, because 5 percent was enough to get R and R up and running in many of your States. It was important in Ohio, it was important in Vermont. Maryland and California, as Senator Mikulski knows, have a long history. But if that quality set-aside is wiped out, if the pressures on the States are so great as to say now there is less money to guarantee transitional child care for AFDC families, we are going to perhaps think that in this consolidation, we are eliminating some funds, and then on top of that you are going to say to my State, which has floods, fires, earthquakes, and closed military bases, now, Pete Wilson, make a miracle, find a little more money for the quality that we are taking away?

I have a Governor who really supports quality child care, and I have a State with a long, continuous, uninterrupted history. We have more than \$500 million of State commitment to child care, but we cannot do it alone. We need your help.

So I think I will just close with that, and I would like to be able to answer any questions that you might have.

The CHAIRMAN. Thank you very much, Ms. Siegel.

[The prepared statement of Ms. Siegel may be found in the appendix.]

The CHAIRMAN. Dr. Lerman?

Mr. LERMAN. Thank you very much for giving me the opportunity, and thank you very much, Senator Mikulski, for the endorsement of the book.

I am going to take a somewhat different track from the earlier speakers and in a sense kind of broaden some of these issues to cover what I think is a terribly important issue, and that is the role of fathers and of men in the entire welfare reform debate.

I have testified in front of Senator Dodd on child support, and naturally, like all of us, I am very concerned about improving both the child support enforcement, the proper guidelines in child support, and most importantly, increasing the rate of paternity establishment.

However, I think we need to go a lot further in our thinking and not think of men and fathers as purely marginal to the welfare reform debate, and I am afraid to some extent that is happening—that is, that the only place where men and fathers are coming into this debate is in terms of expanding child support, expanding their financial contribution.

If we think about what are the sources for raising a child, both financial and emotional, that are within the scope of the family itself—of course, there is public support as well—there is the earnings of the mother, there is the child care, which we have talked about, and there is child support from the father. But there are two other areas which are also important that are getting less play, and one is improving the potential earnings capacity of fathers and I might add, noncustodial parents in general, and expanding the involvement of fathers in the raising of their children. That is the time commitment of fathers. It is to those issues that I will make a few suggestions.

Before I get to the suggestions relating to the issues of how we involve fathers and how we at least do not have disincentives to marriage and to the involvement of fathers, I want to make one point, and that is that the most important thing we want to do is to try to prevent early and unwed parenting from happening in the first place. If we can do that, then a lot of these problems would be certainly less severe—I will not say that there would not still be some role for Federal child care support and many other services, but it would be an easier task.

I looked from the national longitudinal survey of youth just recently—in the last few days, actually, in preparing for this testimony—at the rate of poverty among young parents in their late 20s and early 30s who were married couples. And the answer was that only about 5 to 6 percent of those families were poor as compared to much higher rates, of course, where one parent was not present.

So if we can turn that situation around to some extent, even to a modest extent, I think we will be on a good road. And there, this committee has already done some things to start the ball rolling. I think a very critical piece of this puzzle is in the school-to-work transition and the youth apprenticeship area.

I think both for young men and young women, we now have a situation in this country where there is a widening gap between the age of starting sexual activity and the age when you can get into an adult career and a fairly good job. Sexual activity has gone down, starting at earlier ages, and with more frequency; the age at which you can get into a reasonable job—and I think it was you, Senator Jeffords, who mentioned the study about how employers feel about hiring young people—that age has increased.

So that is a difficult thing to deal with, and it seems to me that one of the key things is to motivate young people so that they have some other concrete things to be involved in that they think they can accomplish with what they are doing.

Unfortunately, to a great extent, many, especially by the late high school years, are either very bored with school or they see no early reward; they are very skeptical about whether doing well in school will—assuming they are not going on to a selective 4-year college—about whether doing well in school will really do something for them. And this recent study buttresses that. Employers do not look at transcripts, they do not see whether you are a B-minus student instead of a D student. And you see over and over again stories about how working hard in school is denigrated within the school community. This is a tragedy, and I think that it is part of the explanation for why we are seeing the early and unwed parenting that we see.

That is why I am strongly in favor of expanding the effort to build a strong school-to-career system—I use the term youth apprenticeship—but in any event, something where young people can get their hands on something that they can feel. For example, I visited a site at which a student who was getting C-minuses got into a program involving hospital lab tests, and by his senior year he was very proud of how he was able to show his student friends that he was able to do the tests from an autopsy. That is the kind of thing where, if people see that they can accomplish something and get into a career, they will be turned in a different direction from the direction we are seeing so many of our young people involved in.

This is especially important in the most at risk communities where informal job networks have declined dramatically; you do not have the uncle to get you into a good position; you are much more subject to difficult peer pressures than in other communities that will turn you away from school and constructive activity; where marriage rates have plummeted dramatically; where it is a common thing to have children outside marriage at a young age. So this kind of activity is extremely important. I am not claiming that I know it will do the job by itself. I am simply saying that this is one thing that we ought to really think about in the prevention area.

We do have some early evidence. I heard a representative from Oakland, CA talk about her school, which was an inner city school with a lot of failure, a lot of dropouts, where this kind of approach turned things around.

My recommendation is to support what the National Academy of Sciences Panel on Post-Secondary Education recommended, which was to have larger-scale demonstrations of youth apprenticeship or other school-to-work activities in major cities, where you can really see what might happen to a whole milieu, to a whole environment, where you can get 25 to 30 percent more kids engaged in constructive activities.

Another way of building up this system fairly quickly would be to encourage Federal and State governments to take more of a leadership role here. Actually, Federal and State governments are even poorer employers of youth on serious jobs than other private

sector employers, and it seems to me that if we did that, that would be a sensible way of trying to expand things.

That is the long run, and it is going to take time; it is not necessarily dealing with this generation of children who are with us today. For that, I think we need to re-engage fathers, and I make a couple of suggestions in my testimony.

First, I think we have to get rid of the financial disincentives to marriage and to greater involvement of fathers and other noncustodial parents with their children. How do we do that today? Well, in the earned income tax credit, for example, that is the one place where we do not have separate schedules for married couples and single individuals. It happens, just from the structure of the way taxes work—taxes or transfers—that if you have a progressive system where you have either lower taxes or higher benefits with lower incomes, and you have a family definition of income, those two things together create marriage disincentives and penalties to marriage. That is one reason why we have a separate tax schedule for married couples as opposed to single individuals. We do not have that in the earned income tax credit, and one result is that we have very, very high marriage penalties built into that program. I specify the specifics in my testimony.

The CHAIRMAN. I would just note that your full statement will be made a part of the record.

Mr. LERMAN. Thank you.

So that is one disincentive. The second is that if the child has to be in a particular parent's dwelling for more than 50 percent of the year in order for that parent to claim the earned income tax credit, that means that if there is a father who may be spending 30 to 35 percent of the year with that child, that parent would not participate in the earned income tax credit. I think that that is inappropriate.

My second major suggestion, briefly—I know the hour is late—

The CHAIRMAN. I would only suggest that I know Senator Mikulski has to leave, and she is particularly interested in asking you some questions.

Mr. LERMAN. All right. I will just be very brief on this point. I suggest that we try to establish what I call a contract with both parents. Right now, what we do in a lot of welfare programs is we have a caseworker sit down with the mother and ask how can we help you get toward independence—that is in the best programs—to develop some sort of employability plan. It seems to me that to the extent possible and at a very early stage, we ought to have them sit down with both parents and ask what are the resources we can bring together from both parents—perhaps in some cases, one parent might want the other parent to be involved more in the job services if that second parent will pay a lot more than the regular child support, for example—or it might be that—

Senator MIKULSKI. Dr. Lerman, we really have to wrap it up.

Mr. LERMAN. OK. So in other words, I think that that is where we want to involve fathers much more than we do today. Sorry.

[The prepared statement of Mr. Lerman may be found in the appendix.]

The CHAIRMAN. Thank you.

I think Senator Mikulski, if I may call on her now, would like to ask some questions specifically of Dr. Lerman.

Senator MIKULSKI. Thank you. I have to be at a leadership meeting to hopefully try to figure out a way to get us beyond this stalemate we are in, and I thank Senator Kassebaum for this.

I really only have one question for Dr. Lerman, and perhaps it would be useful for the panel. This role of men must be addressed, and perhaps it is another whole topic for a separate panel. We saw in the "U.S. News and World Report" article, "Why Men Count." Today, in "USA Today" there is an article by a man by the name of Blankthorn, writing about fighting for fatherhood. So this is a topic that really is affecting all classes within our society, and not only the poor. But then, this takes me to my question.

I am concerned that the very nature of welfare rules themselves works against men and that essentially the message to women in many instances is that you will do better if the man leaves the house than if he stays in the house. Do you believe, therefore, that we need to eliminate or change the "man in the house" rule so that where men are already engaged in their families, the very nature of welfare rules do not push responsible men out?

Mr. LERMAN. Yes. I will say yes. Basically, there was an expansion of the unemployed parent segment, but that involves a lot of other types of rules. What really is the case is that the welfare structure itself pushes that direction—and I give the specifics in the testimony of how two working parents do not get that much out of being working parents relative to the welfare system. So I do think we need to change it dramatically.

Senator MIKULSKI. We will look forward to any recommendations you would have on that and on those issues related to preventing teenage pregnancy.

Ms. Siegel, I know you wanted to comment. I interrupted before Ms. Fender herself has had a chance to testify.

The CHAIRMAN. No, no. Ms. Fender is from the General Accounting Office and assisted with the report that Ms. Ross reported on.

Senator MIKULSKI. Oh, I see.

Ms. Siegel, did you want to comment?

Ms. SIEGEL. I just wanted to make a comment that we do hear from a great number of single-parent fathers who are looking for child care. And if you sit in any R and R agency on the day when the consumer choice voucher dollars are distributed to the parents and providers who are eligible, you will see a lot of young fathers.

The other thing that really strikes me is that some of the child care funding—someone mentioned protective services, someone mentioned respite—we have had a small respite child care program that I am sure will be molded into whatever block grant comes. I just want to make the point that often the fathers—and they are blue-collar working men who call us when their wives are hospitalized for 3 or 4 weeks—when that family needs extra help, that dad is supporting his family, but he needs 3 or 5 weeks of child care while his wife has surgery, and he is working swing shift. So I just want to reiterate the point that everyone else has made—it is not just dads who are working swing shift now. The jobs that are available—

Senator MIKULSKI. I thank you, Ms. Siegel; I think we understand the role where men are often involved in child care. But I want to go back to something far deeper than that, far more profound, that is happening in our society, and that is the dismissal of men as having an important role, having an important role in the family, or seeing them beyond simply a revenue stream in loafers.

Men play a very important role in the family. And yes, most of the welfare reform has been focused on child support, which I believe we need to really enforce; men need to support their children. But men need to support their children in more ways than with money. I happen to believe everything in my life experience with my nieces and nephews and uncles, that fathers are important. And I am looking at what is the very nature of public policies that either dismiss or demean fathers, or work as a disincentive to that.

Mr. LERMAN. Could I just add one point about the child support and welfare interaction. Where the mother is on welfare, when they pay child support—they are not stupid—they realize that the mother, if she is on welfare and foodstamps, keeps \$40 a month or \$38 a month of what he pays in. There were focus groups done by the Manpower Demonstration Research Corporation in which one man said, "She wasn't seeing nothing, and my son wasn't seeing nothing, so I wasn't paying her." Another complaint is that it is not going to the child's mother; it has to be going to the system.

So this kind of structure is one of the reasons why I argue for trying to have some sort of contract with the State and with both parents where some relationship can be developed—and I have some specifics on that—to avert this kind of situation.

Senator MIKULSKI. Thank you very much, Dr. Lerman.

And Senator Kassebaum, I would like to talk with you more about this topic, and even though I have not asked any of the panelists questions, I would like to thank you all for your very substantial contribution, and I am sorry I have got to run.

The CHAIRMAN. Thank you. I hope you can resolve the problems on the floor.

I very much appreciate everybody's testimony here today. Ms. Siegel, you are a nationally-recognized authority on resource and referral services, and it is my understanding that you are currently engaged in a program in California that is attempting to raise \$5 million, through a public-private partnership. Could you talk a bit about that and those efforts?

Ms. SIEGEL. I would be pleased to, and I am sorry that Senator Frist is not here from Tennessee, because I think he would have been very interested as well.

This is the Child Care Initiative Project which began in 1985 and is actually in its 10th year. It is a public-private partnership, which is win-win, as Bob Beck, the former senior vice president of Bank of America said.

The State of California puts in \$250,000 a year in public sector funding through the Child Care Resource and Referral Network that I direct. In turn, we raise twice that amount of money. It is a 2 to 1 match. So I only get that \$250,000 if I raise \$250,000 from the private sector.

Well, the good news is that we have done that every year, with incredible support from banks, from corporations, from everyone from Levi Strauss to the Bank of America, to Mervin's and other companies.

What I think is significant is that the private sector has been interested and willing to make an investment in the accessibility and quality of child care because they have seen a public investment in those same areas, and they have been comfortable coming in because they trust and know that our local child care resource and referral agencies are able to pinpoint in a very precise way and document, with the generous and continuing public support that child care R and R has in California and throughout the Nation for the time being. They are able to say these local R and Rs—which are not a cookie-cutter mold; we all look different in California. The Child Care Switchboard, which I started in 1972, is a private non-profit; some are within school districts. So all of us look a little different, but all of us reflect the parents and providers in our community.

The point is that we can tell you in any one of the cities in your district what are the unmet child care needs. Now, there are some universals. For example, infant care is a universal. So right now, the Child Care Initiative Project in California has two emphases. One is to increase the supply and improve the quality of infant/toddler care. We use some money from the Child Care and Development Block Grant quality set-aside for that, but then we are able to really double it with the funds that are available from the private sector.

And I think that when we look at encouraging the private sector to come in—and obviously, this program started during the Reagan years—it was a time when we really needed private sector involvement. It did not have a beginning, a middle, and an end. The point is that it continues, and it continues because there is a core of infrastructure that is in place in my State. There is a program similar to this in Iowa—I think it is called the Child Care NET Project—it is not quite as much money, but just in the Des Moines area, they have raised \$250,000 a year in private sector funds.

We have been able to replicate our program, the Child Care Initiative Project, in Oregon and in Michigan. But the bottom line is the private sector look to you on the public side for a core investment. And I think we can grow these programs, but not if the funds that allow them to put them into place dry up or evaporate.

The CHAIRMAN. I think one thing that is very important about that project is having business and community involvement as a major component—where they have made a contribution, and therefore they have a real stake in what happens.

From talking to child care providers about resource and referral services, one of the things that I think they value—and I would just like to ask for your response as far as its importance—is the ability to have a referral. That that is a big help to anybody, I suppose, who wants to know where they can get quality child care. Your own child care network values its participation in a referral service. Is that something you believe is a top priority for you?

Ms. SIEGEL. Absolutely. I think it is very important. And sadly, it was my experience 24 years ago, when I was looking for child

care for my own three children—I always say you do not want to find care for the most precious resource in your life on a bulletin board; you do not want to look in the Yellow Pages. You want to talk to someone; you want to know something about those programs that you are considering. And the good people who are providing that care, with not the greatest compensation—as Deborah Phillips said, they are angels—they want to be connected to families. And what we are able to do in R and R is really make that connection work.

I also have an asthmatic child. It would have been really silly for me to call people up who had cats and dogs or who smoked, because Kelsey would absolutely not have survived in that environment. The Child Care Switchboard could tell me who are the licensed family daycare providers that do not have pets.

It may seem like a small detail, but it is a very important way to help make the best match between parents and providers. So I think providers appreciate it, but believe me, the parents that we speak to every day and whom we help I think appreciate it as well.

The CHAIRMAN. Ms. Ross, in the GAO study, were you able to evaluate the effect of State participation regarding the contribution of State child care moneys for welfare recipients? Is this something that is very uneven? Is there anything we can glean from that that will help us understand how well States can handle the flexibility that we obviously would like to give them?

Ms. ROSS. As you know, some of the four child care programs are programs where States have to have a share. And what we found when we were just out visiting in these five States was that States were saying right now that they were just about able to get enough funding from their State governments to about stay even with their job requirements; but they are quite concerned about any future demand.

Maybe part of the reason they stay even is because they can manage their child care requirements. If you can prioritize and give preference in jobs to people who already have child care, you can manage this issue of how much you can do with the State funding you have available, but they are quite worried about the future.

The CHAIRMAN. Senator Dodd?

Senator DODD. Thank you very much, Madam Chairman, and let me again thank you. This has been fabulous testimony. I have listened to a lot of testimony, as you might well imagine over the last 10 years on child care, and this is about as good a panel as I've ever seen, with all due respect to others who have preceded you. It has been very worthwhile, and I thank you, Madam Chairman, for assembling people who have a wonderful array of perspectives on all of this, from a parent to people who have worked in it for years to the GAO study.

As you were talking, Ms. Siegel, I was thinking—when Senator Hatch and I wrote the block grant program a number of years ago, I went to try to find out what else had been done in this area over the years. I did not find the program you talked about. I wish I had. The last time the Federal Government was involved directly in a child care program was back in the middle of World War II. With all the pressures that the Congress had on it with the war,

Congress came up with about \$90 million to support a child care program for the country for women who were working in war production and whose husbands were in the Pacific or European theaters. And, in fact, it was the Senator from Utah in those years who fought against hardest for that program, and I am ashamed to say it was the Senator from Connecticut in those years who fought it that hardest. But nonetheless, there are some wonderful photographs in the Library of Congress. They had physicians and nurses in these child care facilities, and it was a remarkable program. Obviously, the war ended, economic circumstances changed, the country was different, and the program basically died, although interestingly, a number of the programs started there. There is one in Santa Monica that still exists that I had a chance to visit. It has been in continuous operation since those days. So it is worthwhile that you mentioned those early years. Clearly, the country understood, even in the middle of a war, the importance of providing good care for children when the pressures on the country were such that we needed to be other places.

Let me second mention that the strongest advocates we had—and there were many good advocates a number of years ago when this first came forward—were the business community. I cannot tell you the number of meetings we held and the discussion groups. And the group that was always, it seemed to me, right there on affordability, on access, and on quality, was the business community. In fact, even their new buildings, in addition to all the other accommodations that were made, had built child care facilities into their design plans.

So I do not think we are going to have any difficulty with the business community. The point they made to us was that the public seed money and the public impetus really does make a difference in all of this. I think connecting the two, rather than separating them as if somehow it could all be done by one or the other, is critical. We ought to get beyond that discussion. It has no value, based on all the information we have received over the years.

Dr. Lerman, this is sort of unrelated, and yet it is related. But I do not want to miss the opportunity to raise it. It goes to the issue of child support and other issues. I will bring it up because it is raised with me all the time. I'm referring to the relationship to the noncustodial parent, which in 90 percent of the cases is the father. A growing number of women are noncustodial parents, I might point out. And I just want to raise the issue of visitation rights, because I just cannot find an answer for this one. I have just seen too many cases where the waters get so poisoned, particularly with children who are beyond the infant stage and begin to form their own opinions. Obviously, we see the difficulty with courts and so forth. How do you force a child to spend time with a noncustodial parent if there is a sour environment. I do not know how you legislate that, but we have got to do a far better job because there is a tremendous amount of hostility that exists. I have literally had people in this building take me aside and whisper to me—I am talking about men—almost as if somehow they were saying something illegal, about their anger over the notion that children do not want to spend time with them, or that they get to see them so rarely. This does not obviate the obligation financially to

help those children, but I keep making the point that we have got to do something. We have got to think hard—whether it is requirements prior to separation, divorce, whatever else—to see how we can deal with this issue better. I wish I had some answers. I have thought about it a lot, and I have listened to a lot of people. I do not have the answer, so I did not want to miss the opportunity to raise this concern because it has a lot of legitimacy.

Let me jump quickly, if I can, to you, Ms. Ross, on the GAO study. Again, there is no argument here about consolidating where we can—not on my part, anyway. But I want to raise the issue, because I can see what is happening with the political backdrop on this. I have heard here on numerous occasions that we are talking about some 90 programs to consolidate, and I think it is very important that the record be very clear on this. As I understand it, we are talking about basically four programs, maybe seven programs for consolidation. I want you to clarify for this committee what we are really talking about here in terms of real governmental programs that address the issue.

Ms. ROSS. The work we did was on the four programs that deal with low-income women on welfare or not on welfare any longer but still low-income. We have just talked about the merits of consolidation among those four programs. That is all we have talked about, because we are talking about the support that low-income women need, whether they are moving in a transition from welfare to work or whether they are working, but their situations are still fragile. So we are speaking only of those four programs.

Senator DODD. Well, what are the other 86 programs, then, that get referred to, or 87 or whatever it is? What are these other programs?

Ms. FENDER. It is also true that we did a study a year ago, looking at all of the programs that have what we then called an early childhood component. Many of those programs have some dollars in them for child care, but in very many of them, child care is a really small component. I think we identified 34 for which child care was what we called "key to the mission." But the rest of them were—for instance, a program called the CDA, Child Development Associate Scholarship Program, which is to train providers to become quality providers of child care, but it does not provide money to care for children. It is a training program. There is a little bit of money in the Job Training Partnership Act for child care, but it is not key to the mission. We also in that report identified I believe 13 programs that a single child could conceivably be eligible for simultaneously, but it is not necessarily the case that any one child is receiving services from those 13 programs at the same time; in fact, it is unlikely.

Ms. ROSS. May I just add that that was a report that was done in response to a question of how many of these kinds of programs were there. There was no suggestion that those programs ought to be consolidated in any way. This is the only report that I am aware of that GAO has done which has talked about some of the merits of child care consolidation.

Senator DODD. Am I incorrect in suggesting that about 90 percent of the dollars are caught up in about four programs, and that about 10 percent or less of the money is in the rest?

Ms. ROSS. I would have to get back to you on that, but this is \$2 billion.

Senator DODD. Yes, I would like you to take a look at that, if you could for me.

Ms. SIEGEL. I could certainly say that that—I know the figures in my own State—and that is certainly a true estimate in terms of when you look at them. If I might just add, I think it really goes back to again a point that Deborah Phillips made this morning. We have a patchwork quilt of child care services in this country because the only time we have ever had a national policy for child care was during World War II. And what we really had to do—and I am the person, and I sometimes regret it, who coined this phrase, a “seamless child care system,” because in a sense in the R and R world, we are the quilters of the child care world; I mean, we are the folks who are trying to piece it together for parents every day who are wondering what are they eligible for today or tomorrow. And it is challenging, but you are absolutely right. And we are getting closer—that is the good news.

I want you to know today that while we have gaps, we have States like Ohio, like Indiana, like Texas—and I think your next panel is going to address that—we have States that have figured out how to do it, and I think we are getting closer. I mean, I come from a State where it has been a little more daunting, just because we have a longer history and more State money, but even we the day after Easter are going to have a major summit, and we are getting it together. We are figuring out how to do it, but again, how are we figuring it out? How are we financing that effort? Part of that comes from local planning, part of that comes from quality dollars, the infrastructure of child care.

Senator DODD. I thank you for that, and I would appreciate your taking a look at the dollar implications.

One of you mentioned preschool children, which obviously is a serious problem, particularly when two-thirds of all adults on AFDC have children of preschool age. So that is a serious problem. But I am pleased to hear you also talk about the school-age children.

The very first hearing that I held as a United States Senator was when Senator Specter and I put a rump group together called the Senate Caucus on Children. The first hearing we held was on latchkey children to look at what happens to children. And I remember one of the statistics, and I do not know whether it is still true or not, on the number of fires in New Jersey that are started by latchkey children and the problems associated with that. So I think the issue of school age care is very worthwhile.

I will raise the last point with Ms. Siegel. We have heard some discussion today about academic performance associated with good child care. I want to expand on that a little bit, because I gather there has been some assessment done regarding nutrition, which obviously is a critical ingredient in child care programs. There are some pretty good studies already done, it seems to me, on nutrition and educational performance. And, of course, a critical component of any child care program is that there be adequate nutrition. I am just wondering if you could share some thoughts with us on that.

Ms. SIEGEL. Well, we are very concerned right now that the child care food program, which has been a core piece of infrastructure

support all over the country. It is two hot meals and snacks. And whether you are a licensed family daycare provider or a child care center, that child care food program helps you to keep the cost of care reasonable for parents. It means that you are going to be able to provide a little more funding into those salaries so that maybe you will have continuity of care, which we have all acknowledges is so important.

If we lose it—let me just give you the figure in California. We currently receive \$129 million in child care food program subsidies in California. Our block grant allotment is about \$100 million. If we lose one penny of that child care food program support, we are just taking a big piece of the child care pie away in California and in every community across the States. And we have watched last week and over the past few weeks with great consternation as things are block-granted.

What we know is that we are not the biggest lobby here on the Hill. I go back to California where I have a real job. I love to come and visit with all of you, but my job is to help parents find child care. My job is not to be here on the Hill every day representing their needs.

Well, we do not have the paid lobbyists that some of the bigger nutrition groups have, and when you think of the troughs that block grants become, we are really afraid that the smallest hands, the hands of the preschoolers, the hands of the school-age children, those small hands that do not vote, are the hands that may not be able to reach into the new block grant pots and pull out the dollars in what are incredibly competitive and constrained budget times in all of your States.

So we are very concerned that the child care food program be maintained, and we learned in World War II—these programs started when we learned that young men going into the military service had rickets. That is why we had things like the school lunch program, that is why we have the child care food program, because we know that kids need to be fed if they are going to be ready to learn. You do not need an academic study to know that. You just need to listen to your own tummy growling before lunch.

So thank you for bringing that up, and I hope that when you look at the child care food program, you will look at it not just as some separate thing to be consolidated, but you will look at it as a piece of core support that we in the child care community absolutely depend on to do our job.

Senator DODD. What was that grandmother of yours named, again?

Ms. SIEGEL. Brigitte Walsh.

Senator DODD. Well, she would be very proud of you today.

Ms. SIEGEL. I hope so.

The CHAIRMAN. I think, Ms. Siegel, you are a pretty good lobbyist. [Laughter.]

Senator DODD. That is right. We will keep you around.

Let me just say to Ms. Elser, too, that I did not ask you any direct questions, but you gave very, very compelling and thoughtful testimony, and it has been very, very worthwhile having you here with us, because it does put a face on it in terms of an individual parent who has gone through an awful lot. So I thank you im-

mensely for being here today, and I thank Senator Jeffords for inviting you to come down and be with us.

Thank you all very much.

Thank you, Madam Chair.

The CHAIRMAN. Thank you.

Senator Jeffords?

Senator JEFFORDS. Thank you, Madam Chair.

Tamara, you gave us a very credible story of what has gone on in your life since being a teenager. Dr. Lerman brought up some of the questions about parents and their responsibilities, and the different incentives and disincentives we have for parents getting together, and the kinds of extremes that you talked about. In your case, you are wondering what can bring the father back in in terms of the child's need for parenting and for parental responsibility.

Let me just reminisce a little bit, because I think it is very important that we take a look at what historically we have done in these relationships. I was involved way back as attorney general, and when welfare first started, we spent a lot of our time spying on AFDC houses to make sure there was not a man in the house; if there was a man in the house, then we moved in and took the welfare benefits away. Then, I realized that did not seem to be working too well, because a lot of men were leaving, and the family found that they were better off, and they could give the money on the sly. Then we found that the women were not asking for support payments in divorce cases because it did not make any difference, so we finally made the State a party to go after the absent fathers and to try to get them to support.

So throughout all of this time, we have come down with all these things, and I have the feeling we drove men out of their homes all over the place and destroyed any real incentive or real concept of a father's responsibility in these cases.

Would you agree with those generalizations, Dr. Lerman?

Mr. LERMAN. Well, we have certainly had policies that worked in that direction. I do not know the empirical impact exactly, but certainly we have sent the wrong signal, and we have made to some extent child support not even just a zero-sum game between one parent and another, but it is a losing proposition for many parents in that kind of setting until the woman gets off welfare.

Senator JEFFORDS. And Tamara, you suggested that we ought to take a look at, I suppose, either parent when they refuse to visit or refuse to provide support, that they in a way are guilty of child neglect. It is interesting, because we do not have much leverage. We have tried various ways of trying to catch fathers who had the money but were not paying.

Would it help to have a negative concept of neglect, getting into the criminal aspect, for fathers or mothers who refuse to provide parenting and provide support?

That is a tough question. Let us see if you have any support there, Tamara.

Mr. LERMAN. Do you want to speak first?

Ms. ELSE. I would just like to say that our children are very, very important, and they need two parents. And as you said, often-times, fathers believe they can just leave the situation, or they need to leave the children.

I think children need to have rights. We do not give our children a lot of rights when we appear before a judge in a courtroom, and he is deciding visitation and child support. We actually neglect the children and focus on the custodial and noncustodial parents' rights, the mother and the father—what right do you have to support, what right do you have to visitation, who is going to be the primary caregiver.

I think the children should be absolutely the focus. These children need two parents. They need them emotionally, they need them financially, they need them physically. They need role models on both sides, and I am concerned about what is happening to our children when they do not have both role models, or when we have an absent parent who is not paying support and not exercising visitation, and the other parent is being forced into a working situation for financial reasons, or onto welfare, which will then require us to be in programs that leave our children home at very, very early ages, with daycare providers who are not being paid enough to take care of them properly.

So that if either custodial parent were not to spend my money or my time to support these children, I would be charged with neglect. So, too, should the absentee parent, maybe giving shared parental responsibility more often in divorce cases. In mine, I have primary custody, and that was because of the abuse that my children were involved in. But if there were more shared parental responsibility, then we would be able to encourage fathers or absent mothers to be more responsible for that shared care and custody and support. And if they do not share in that, we would be better able to charge them criminally, just as we would the custodial parent.

Mr. LERMAN. Yes. That goes together with the thrust of my comments for this kind of contract with both parents. What you observe is that at a very early stage, first of all, in terms of the child support, the biggest cap in the child support comes about because paternity is only established in about one-third of cases. So right there, when you have something like 1.2 million children born outside of marriage, and you have only one-third where there is paternity establishment—and that is actually an increase over recent years—you have no legal standing to do anything.

Nevertheless, in my own research about young men, to a very great extent they are visiting, they are involved at a very young age; but that involvement erodes over time. And I think that that is where the disincentives, not only in terms of Government action, but also in terms of their own capabilities sometimes—they see no way to combine all of these things, and so they rationalize behavior that none of us like.

Now, if fathers are going to be taken seriously, we have to start at a very early stage and say we care about your involvement, we care first about the children, and you can participate in that with more than simply money, and if you are unemployed and you cannot get a decent job, you can be a part of the job service as well. Then, if those fathers do not participate, after making a good faith effort at removing the disincentive and having Government policies that promote that kind of father involvement, then we can I think in better conscience say, well, if you do not want to accept and be

involved in that, yes, we are going to go after with more sanctions and so on.

But until we do that, it is very, very difficult. With some men, we do not know whether they have a good case or not. They may say that would like to be involved and so on, and maybe they really have not made a good faith effort. What I am saying is that if we start at an early stage and try to involve them when they are already involved, we have the best chance, and then if they falter, we know that the alternative makes sense.

Senator JEFFORDS. Tamara?

Ms. ELSE. I agree with that. I do agree. In my situation, I have custody of these children. I am going to school, I have a tremendous responsibility, and where is he? I do not hear anyone ask about my ex-husband where is that parent who is not being responsible. They look at me, the responsible parent, and ask why isn't she spending enough time with her children. I do not have enough time for my children, not the kind of time that I would like to have. Or, why isn't she providing better daycare? Better daycare is not available. I am limited with daycare. As Ms. Siegel said, my child is asthmatic, and that limits. Daycare hours limit me if I want to work evenings, or when I was in the nursing program and I needed to be in clinical hours in the evening, or if I have a class that is only available at night.

So I think the father should be involved in those programs as well. If he does not have a job, let us require this man to be in a workfare program or a Reach Up program, or something that would help him to provide.

But more importantly, even more important than child support, fathers need to be role models; children need both. What is going to happen to this generation of children who have very few role models? Child care providers are not role models. Teachers are so busy teaching what parents should be teaching, they are not teaching school. We are so busy in school or at work that we cannot be mothers. And these children are losing everything.

Senator JEFFORDS. Ms. Siegel, do you want to comment?

Ms. SIEGEL. Well, I am back to those quality dollars that are there in the new Dodd-Kennedy bill. I guess it really starts when children are very young. And I think that in good child care programs where we have training and we are able to compensate people well, that we have wonderful young men.

I am proud to say that my own 23-year-old son is one of those men right now who is teaching in the very daycare center that he grew up in. He has made that commitment, with a college degree from Oberlin College in Ohio, and he is really committed to quality early childhood education, as is his twin sister, who wants to design good children's spaces. But it starts early, and it is also a message that we give in terms of parent involvement.

Someone talked earlier about Head Start, where we have had mandates for parent involvement. I think many of us who are very concerned about the future of child care in this country realize that it is really in the hands of working parents, and one of the things that we need is we need a lot more Tamaras to come here and share their experiences with you. We need to give young men and young women a message when they are in school-age child care,

when they are busy, that they need those good role models, they need the continuity of care of the good trained staff, men and women, sons like my own son, who are going to say here is a caring man.

And they are there, but again, we are not going to keep the Kelsey Siegels in the child care work force if he continues to make \$6 an hour—and that is a pretty good salary in San Francisco in child care. But even his dad would like him to be making a little more, doing something with that degree. And that is really sad. So we have got the opportunity, but we are going to miss the boat if we do not make the investment now.

Senator JEFFORDS. Thank you, Madam Chair.

The CHAIRMAN. Thank you.

This has been a very fine panel. I would just add, Ms. Elser, that you have a tremendous commitment and dedication. If everyone could bring that to the task as you have, it would be most impressive. And I think your last statement about how all along the line, everybody at one point or another is not devoting the time. Everybody moves at such a fast pace that when there is just one slip along the way, it can never be brought back.

So thank you for that excellent closing comment.

Ms. ELSE. Thank you.

The CHAIRMAN. Thank you, everybody. It has been very interesting, and we appreciate your taking the time to come today.

Senator JEFFORDS. And my apologies to the third panel.

The CHAIRMAN. I hope the third panel has not given up.

I appreciate very much the patience of the third panel. There is an enormous amount of interest in this subject, as you can tell, and as a result, we have spent a lot of time with the first two panels. We will hear some excellent testimony from this last panel.

I would like to introduce Claudia Langguth, who is currently an associate consultant at Tonn & Associates. Previously, Ms. Langguth was deputy commissioner of the Client Self-Support Services Division of the Texas Department of Human Services. She was instrumental in devising and implementing the Texas Child Care Management System, which effectively blends Federal and State funds to create a community-based child care network. She also has been a participant in a number of children initiatives and has invaluable expertise in this field. We very much appreciate your being here to testify.

Judith Rosen is the founder and director of the Fairfax County Office for Children. The Office for Children is charged with the coordination, provision, support and quality enhancement of child care and early childhood education for the residents of Fairfax County, VA. Under Ms. Rosen's leadership, the county has developed a seamless, comprehensive system of children's services, leveraging Federal, State and county funds, with local corporate and business contributions.

It is a great pleasure to welcome both of you. You have had the advantage of listening to all of us ask a number of questions and hearing some of the responses. We look forward to your observations on the issue before us and perhaps further answering some of the questions that have been asked of our other witnesses.

Ms. Langguth?

STATEMENTS OF CLAUDIA LANGGUTH, ASSOCIATE CONSULTANT, TONN & ASSOCIATES, AUSTIN, TX; AND JUDITH M. ROSEN, DIRECTOR, FAIRFAX COUNTY OFFICE FOR CHILDREN, FAIRFAX, VA.

Ms. LANGGUTH. Thank you very much, Madam Chairman.

First of all, I would like to thank you for holding this hearing. It has been very interesting sitting here and listening to the testimony, and I hope I can share my experiences from an implementer.

I have spent the last 20 years helping to design and put into place welfare-to-work programs. I have spent a lot of times working with providers and parents dealing with the issues of child care.

I would first like to set the stage and tell you what is happening in a State like Texas, where we have a new Governor and legislature that are facing multibillion-dollar shortfalls in funding. And as people before me have said, the pie is only so big, and there are only so many pieces to the pie, and we are concerned about what is going to happen with child care.

A 1992 survey of JOBS participants in Texas showed that a lack of education was the most common barrier to securing employment, and child care difficulties was the second most common barrier. Nearly two-thirds of AFDC caretakers cited adequate child care as the single biggest obstacle in looking for and keeping a job.

More than 75 percent of those who stopped working said that it was because of difficulties that they had with child care.

One of the things that I helped to do back in 1991 and 1992 was to help put all of the major sources of funds—the block grant for child care, the IV-A entitlement programs, the IV-A at-risk child care, the JOBS program, the transitional child care, and the other major sources of child care funding—into one system in Texas. When we did that, I would just like to say that as far as moving child care funding into block grants, it does not necessarily mean that it is going to be an automatic ticket to greater efficiency, flexibility, or results.

We do believe our child care management system in Texas has really helped improve the access of children to get the kind of care they need and to families to get the kind of help that they need. But there have been some major difficulties in trying to fight the battle between conflicting regulatory and statutory regulations, and I would like to point out a few of the problems that we have had.

First, parental choice, which was a major tenet of some of the new child care funds, has not been as successful as originally envisioned in Texas. Some providers have told me that parent choice should be called “parent lottery.” Because of the limited number of child care placements available in Texas, children are usually placed on a waiting list by priority. When funding is available, the particular child care center that the parent wants to use may or may not have space available.

Despite the increase in funding brought about by the new Federal child care programs, Texas still provides less than 3 percent of its child care needs. Texas will probably not be able to match \$20 million in unspent Title IV-A at-risk child care this year. As more low-income parents enter the work force, the need for subsidized child care continues to increase, and Texas and many

States like Texas are obviously behind the curve and will stay behind unless there is a dramatic increase in funding for child care.

I would also like to touch on the issue of self-arranged child care, which we think is very critical for children and for parents. Many parents in Texas I believe make their choice for child care based upon economic considerations rather than what might be best for their children. Some parents choose self-arranged care because it is a source of additional family income. All parents should have access to guidance and training regarding appropriate child care for their children. We need to work on developing a child care system that improve parent choice and eliminates or limits self-arranged care as a source of income.

I think this is particularly true for adolescent parents. In dealing with and working with young teenage parents, many of them lack any knowledge or understanding of what is good and how to be a good parent for their children.

In Texas, of the 124,215 first births, over 46 percent, almost half of the mothers, had less than 12 years of schooling, or were unmarried, or were under the age of 20. Many of these parents and their children will be ill-trained to compete in an economy that is increasingly demanding, and their children will have the same disadvantages unless they have quality care and the education of the parents as to what makes good quality child care available.

Another issue that we have struggled with is child care rates. Child care rates should reflect the increased cost of care associated with being regulated and should take into account the variations of the cost of providing child care in different settings. In Texas, the impact of the IV-A at-risk child care funds being set at the 75th percentile has been extremely detrimental to the families and the children who need care. We have also seen many of our quality child care centers go under and close because of the lack of funding that is available to them.

I know my time is running out, but I would just like to hit a few of the considerations that I think are critical for this committee to consider in looking at consolidating programs.

Welfare reform can only take place if there is available, affordable, and safe child care for families who need it. It has been said before by many of the panelists that both quality child care and support by both parents are two of the keys to successful outcome for children. The linkage of subsidized child care and the employers in the community have to be made. Subsidized child care should be tied to maintaining self-sufficiency. Our child care management system, or CCMS, did have a positive impact in reducing administrative costs and complexity, and it does help families gain access to child care. But the linkage of child care and employment does not always occur because of the sometimes conflicting goals and entitlements of the various child care programs.

Finally, the block grant process if it is put in place, which I think it should be, needs to trickle down into the communities. The planning that it took us in Texas to move the major funding sources into a seamless system, or as seamless as it can get in Texas, took over 2 years. It took hundreds of people—parents, providers, advocates of child care, and the business community—involved in putting this whole system in place. We had some winners, and we had

some losers, but I think what we did was to create a vision of what quality child care should be for the State of Texas.

Thank you very much for the opportunity to testify.

The CHAIRMAN. Thank you very much. Those are very helpful suggestions.

[The prepared statement of Ms. Langguth may be found in the appendix:]

The CHAIRMAN. Both of you, I guess, have been working in "seamless" efforts in both of your States.

Ms. Rosen?

Ms. ROSEN. Yes—I now know who to credit for the term, "seamless system." Some of us though we might have invented it, but I guess it was Patty.

Thank you very much. My name is Judith Rosen, and I am director of the Office for Children in Fairfax County. We are located right across the river, as I am sure you know.

I cannot help but make a few comments on everything I have heard today. I feel like a little duck in a glass of water, who is always shaking his head; I have been shaking my head all morning.

Clearly from the remarks of people on the panel, and especially on the questions and the remarks of the Senators on the committee, it is clear that people have very good ideas about solutions for the child care problem in this country. People talk about simplified systems, people talk about quality care and the need for resources. It is not rocket science; this is something that we really can do. And certainly, early childhood education and appropriate programs for young children, we do know how to do it; it is not like some of society's problems which are very difficult to solve.

I am here to talk to you today about one of our programs, the child care assistance program, which is a seamless system of child care subsidies for low-income families. The program administers all Federal, State, county and corporate child care subsidy programs, and last year we funded child care for over 6,000 low-income children. I just might add that in addition to the child care assistance program in our agency, we also administer the Head Start Program, we operate before and after-school child care in most elementary schools, we sponsor the USDA food program, we collaborate with businesses to provide child care for their employees, we operate a resource and referral network, we license family daycare homes, and we provide training and technical assistance for the child care professional community.

In Fairfax County, almost all children live in families where both adults work. And parents, whatever their incomes, will tell you that keeping and paying for child care is a major worry. The average cost for child care in Fairfax County is \$6,240 a year, and it is even more for infants and toddlers. For most families, this is the second largest expense every month right after their rent or mortgage.

To us, a seamless system of child care means that any family who is eligible for any of the Federal, State or local subsidy programs is guaranteed assistance with their child care costs as long as they remain low-income and are in work or in training. A seamless system recognizes that family circumstances change, and it accommodates those changes.

As you have heard today, some Federal programs are open-ended entitlements, some are federally capped, and some talk about families as if they are in very discrete categories. The reality, of course, is that families do not come in neat categories, and a family may move from one change in circumstances to another.

Single families are often just one paycheck, one emergency car repair bill, or one failed child care arrangement away from unemployment.

I think that what underpins our system and is basic to our system is that we really work hard to maintain three major goals—and you have heard these words before, but without these goals, our system would not be what it is. One is continuity of care in funding for children. The second one is continuity of support for the provider community. You cannot have child care without a strong provider community. And the third is child care choice for parents.

Continuity of care in funding means that a child can remain in the same child care setting even as family circumstances change. Whether a family's income goes down in bad times or increases in better times, their children remain in the same place, unaffected by artificial ideas about category. We bill the appropriate funding sources and take care of all the paperwork. For the families, the tapestry is smooth, the way they see it; while behind the scenes, we are tying those knots, keeping the funding straight, maintaining that important audit trail and satisfying all State and Federal requirements. This is possible because when the rules and regulations would otherwise disrupt the continuity of care—and you heard about that from Ms. Ross—our local Federal funds, the funds which our county gives us, are the glue that holds those seams together.

We have been fortunate in that our county has provided subsidy money for low-income working families and allows us to bridge the gap between funding streams. Families do not fall off the program and have to disenroll their children from child care because of funding category restrictions.

The current Federal programs do not allow for the ease of movement required to meet the real life situations of real families, and we do not want to pit the child care needs of low-income working poor families against the needs of former AFDC recipients who are just getting on their feet. Our local dollars allow us to avoid this artificial distinction.

We have developed a family fee schedule based on family size and income. Since our goal is to help families become self-sufficient, child care costs must be realistic and affordable. If families are forced to pay too high a percentage of their income for child care, they will be unable to maintain their housing, feed their children, provide transportation, and manage the other necessities of life. If the percentage they pay for child care does not rise with their family incomes, they will not be prepared to cover the entire cost of care once they are no longer eligible for subsidies.

In our program, parents pay from about 1.5 percent to 14.5 percent of their incomes for child care. Parent fees are based on the same sliding scale regardless of funding source.

The second principle, continuity of support for the provider community, reflects the fact that in order to provide care for children,

our community needs a stable pool of qualified providers. Years ago, when we paid child care providers significantly less than the market rates, it was difficult to attract quality child care centers and providers. Now payment rates reflect the true cost of providing child care, and providers usually accept all the children. The concept of market rate is very important to the goal of assuring that centers and homes can afford to provide quality services for children whose care is subsidized. It is very unrealistic to ask private programs, either for profit or nonprofit, to shoulder the additional burden when public subsidies do not cover the cost of care.

And now that we do provide market rates, we have made an enormous jump in the number of providers who will work with us. Just a few years ago, before market rates were in effect, we had only 200 child care providers. Now we have 696 providers. Before market rates, we worked with 22 centers; now we work with 164 centers, which is about half the centers in Fairfax County.

I would like to show you a little visual. A few years ago, the number of child care providers in the county was starting to go down, and we needed to recruit more providers. Patty Siegel said something that I thought was very important—that when you have public funding, the corporate funding feels a certain sense of obligation as well as a sense that there is good support in the community for these programs. And when we were starting not to have enough providers, they gave money to recruitment campaigns so we could recruit more providers. I will just show you some of the posters that you may have seen at Giant and your dentist's office or your doctor's office or at High's that we used that were paid for by Mobil and IBM. We needed about 1,000 new providers into our child care assistance program as a result of this recruitment campaign, and these are some of the posters we used that attracted new providers to care.

I see the red light is on, and I would just like to close by saying that the quality of care is so very, very important. The issue of a seamless system of child care is not just about funding; it is about what happens to very young children in the most important parts of their lives. It has always seemed strange to me that we have such wonderful goals and objectives in our Head Start program—everybody knows that Head Start stands for something. It stands for quality early childhood education, it stands for parent involvement, it stands for community support for the program. I would like to see, hopefully, at some time that our other Federal child care programs also stand for the high ideals that Head Start does as well.

Thank you.

[The prepared statement of Ms. Rosen may be found in the appendix:]

The CHAIRMAN. Thank you very much, Ms. Rosen.

I like the comment you made, Ms. Langguth, about the fact that block grants do not just automatically mean more effective or accountable programs. Both of you have spoken about some things that you felt were particularly important. I was struck with the sliding fee scale, which evidently you feel has been very successful in making sure that you could bridge a gap for families who are

the working poor and need continued assistance based on income and family size; is that right?

Ms. ROSEN. Yes.

The CHAIRMAN. And does Texas do that as well, Ms. Langguth? Do you have a sliding fee scale?

Ms. LANGGUTH. Yes, we do, but there still is a notch created in the sliding fee scale schedule. When a child or a family reaches 185 percent of poverty, all subsidy is eliminated.

The CHAIRMAN. Is there a termination in Fairfax County, Ms. Rosen?

Ms. ROSEN. In Fairfax County, we have so far been able to maintain a sliding fee scale, so that when the family moves off the sliding fee scale—and I did talk about it being affordable—they can then afford the total cost of child care.

One of the cases that I looked at before coming here was a woman with two children who had been in a shelter program. She had been on AFDC, and she was in a job skills training program. She went from free child care in the AFDC program and then she moved on to that 1 year of transition child care when she got a job in our local hospital. But of course, her job in the local hospital, while it paid \$16,000 for the first year, was not going up to \$30,000 in the second year. Her income gradually moved up. If it were not for, number one, the sliding fee scale that allowed her to pay a little more as her income went up, and also our flexible local funding, because the other Federal child care programs run out in the beginning of the year, and she would have had to have been put on a waiting list for them, and may have had to go back on welfare. So a sliding fee scale that moves up allows families to gradually come off and pay the full care is very important.

The CHAIRMAN. You mentioned, Ms. Langguth, how long it took for the Federal block grant moneys that came to the State to get down to the community. I think you said 2 years. Have both of you found that to be a problem as you have tried to work at the community level, making sure that the resources did not get lost along the way?

Ms. LANGGUTH. It took us 2 years to plan and put the block grant funding into place, along with the other sources of funds. We grew in Texas from 16,000 children in care to over 40,000 children in care. So we had to be able to develop the network of resources that we needed plus the infrastructure to be able to serve that many children administratively. So yes, it took us 2 years. And I would say that making major changes like moving funding streams and sources together takes an enormous amount of time and effort for a State and for local counties to be able to put that kind of system in place.

The CHAIRMAN. Is some of it due to Federal requirements on the money? Is it enormously difficult to get through all the redtape required to put it together?

Ms. LANGGUTH. That was a big part of it, and trying to figure out how to meet the Federal requirements for the IV-A at-risk, for the JOBS transitional child care, and the block grant funding programs, all of which had different statutory and regulatory requirements. That was a big piece of it.

The CHAIRMAN. Ms. Rosen?

Ms. ROSEN. I think we were fortunate to have an infrastructure in place before the Child Care and Development Block Grant, and therefore the State of Virginia in a sense would always both ask our help and work with us in order to implement the Child Care and Development Block Grant. I think for a lot of other localities where they are just using the funding but do not have overriding principles to guide the funding, it is much more difficult.

And I know—and this may be true for the State of Texas, and it is always true for us—but without a good computer system, without good technology, it just does not work.

The CHAIRMAN. Virginia has just passed a very stringent new welfare initiative.

Ms. ROSEN. Yes.

The CHAIRMAN. Moving people off of welfare within, what—a year?

Ms. ROSEN. Two years—I'm sorry—90 days. Ninety days, but they are only allowed to be on ADC for 2 years.

The CHAIRMAN. But they need to be involved in work after 90 days; is that correct?

Ms. ROSEN. They need to be at work after 90 days.

The CHAIRMAN. How do you analyze that as far as some of your child care needs? Do you see it dramatically increasing in Fairfax County?

Ms. ROSEN. Yes, I think it will. I was just at a meeting yesterday to try to figure out what we are going to do, because it does mean that you are going to use more and more of your dollars for families coming off AFDC. Then, again, you are going to pit your low-income working families, who then will not be eligible for the care, against the families just coming off welfare, again discouraging people from becoming self-supporting.

It is interesting that over the last few years, because we have a principle of continuity of care as families move off welfare and go on to work that will continue to provide their child care, we have larger waiting lists for low-income families who want to stay off welfare and want to continue working. So our waiting lists have gone up, and the income levels of our families who use the system have gone down.

The CHAIRMAN. Let me ask both of you, because obviously, Congress is moving toward greater coordination and consolidation of child care programs. I think it can be a more effective use of these dollars if we can get it right—and maybe this is being too specific. Ms. Langguth, you mentioned several things which I thought were very important. We need to learn from what has not worked very well. For example, you mentioned problems in the parental choice program—but if you had to pick a priority as we look at this consolidation, what would it be?

Ms. LANGGUTH. I would say that States and counties need to define what their outcomes are and what their objectives are for the program, to make sure that they get as many providers and parents involved in making those very important, up-front decisions on what outcomes they expect, and then to design their programs and their priorities of service around those outcomes. Rather than trying to serve a certain number of children, we should be looking at what happens to those children and to make sure that we put our

funding and provide incentives to those programs that can prove that they can show the outcomes that we want.

The CHAIRMAN. Ms. Rosen?

Ms. ROSEN. I think it is fairly simple to develop a seamless system in terms of rules and regulations, especially if you have a principle of continuity of care and if you have a principle of providing subsidies for low-income families, regardless of their status or category.

I think it is much harder to work toward providing a pool of qualified child care providers, and I think that that is extraordinarily important to put in any bill that you might be working on.

The CHAIRMAN. So these are the type of goals which would be important for us to include as general programs goals that should be required.

Ms. ROSEN. Absolutely.

The CHAIRMAN. Well, I very much appreciate the thoughtful testimony of both of you. You have been sitting here a long time. I regret that it has gone for so long, but I think you can tell that this committee is very interested in making sure that in this most important component of welfare reform, we come up with suggestions and legislation that we feel will be constructive.

So thank you so much for giving of your time, interest, and experience.

Ms. ROSEN. Thank you so much for inviting us. It has been a privilege.

The CHAIRMAN. That concludes today's hearing.

[The appendix follows.]

APPENDIX

PREPARED STATEMENT OF DEBORAH PHILLIPS

Ms. Chairwoman, Members of the Committee, my name is Deborah Phillips. I am very pleased to have this opportunity to discuss child care in the context of welfare reform. I am a developmental psychologist, currently on leave from the University of Virginia in order to direct the activities of the Board on Children and Families at the National Research Council.

My research over the past 15 years has focused specifically on the question of children's development in the context of typical child care settings. I have been a Principal Investigator in four major studies of child care that have collectively involved on-site observations of well over 3,000 child care settings, ranging from center-based care to father care, and assessments of close to 2,500 children ranging in age from 6 months to 5 years. I am currently involved in the Study of Early Child Care—a 10-site study of over 1,300 infants and their families, recruited at birth and now followed to age 4 years—funded through the National Institute of Child Health and Human Development. This study is designed to address the question of the immediate and longer-term effects of infant day care—a very contentious issue in this country and one whose policy significance has grown exponentially in light of the current welfare reform debate. In addition to my research on the developmental effects of child care, I have published extensively in peer-reviewed journals about the regulation of child care and regulatory enforcement, equity of access to stable and safe child care on behalf of families with differing financial resources, and parent preferences for child care.

As you know, when we talk about poverty in this country, we are talking primarily about children. Two-thirds of the nation's AFDC recipients are children. One out of four children under age six now lives in poverty. Even today, these children are more likely to be in some form of non-maternal child care than are non-poor children. However, the scope of the welfare changes that are now being contemplated inevitably will fuel substantial growth in the number of poor children in child care; there can be no other result. The only issue is what kind of care they will receive and what role, if any, the government can play in designing that care to the maximum benefit of the children. If maternal employment is to be a requirement of national welfare policy, then that policy must also assure that children are not being harmed when they are not in their mother's care.

Three decades of research on child care clearly establish this: The health and development of many very young children will be placed in jeopardy if the quality of the child care that is now available to these families is not significantly improved; the primary welfare reform goal of moving parents into stable employment and economic self-sufficiency will be undermined by unstable child care and mothers' concern for the safety of their children; we will miss an enormous opportunity to break the cycles of dependence and failure by increasing the chances that these children are ready for school, socialized to interact constructively with their peers, and set on a path that reduces the odds that, as adults, they will become dependent on welfare.

Research clearly demonstrates the poor quality of much of the child care on which welfare recipients must depend. Twelve percent of the 800 center-based classrooms that were observed in a recent four-site study of typical child care were found to be so unsafe as to compromise children's health and development. This 12% figure held both for the total sample of children and for the subsample of families with incomes below \$20,000. Six years ago, the National Child Care Staffing Study found that close to 20 percent of center-based classrooms were unsafe, provided inadequate supervision, and exposed children to harsh and unresponsive caregivers and to poor sanitation. These classrooms were also devoid of opportunities for learning.

Care for infants and toddlers is of special concern. Across the two studies, between 30% and 40% of infant and toddler classrooms were of such poor quality that basic sanitary conditions were not met for diapering and feeding, the environment posed hazards to children's safety, and the caregivers offered little or no response to the children's attempts to communicate.

Research is also beginning to look into the quality of care provided in home-based settings. The results are alarming: 74% of children living in families with incomes below \$20,000 were observed to be in unsafe, unsanitary, and unresponsive child care in a recent study of 226 family and relative care providers in California, Texas, and North Carolina.

It is heartbreaking to visit these child care arrangements. You would not want your children or your grandchildren in their for even an hour let alone day after

day, month after month. Research also demonstrates unequivocally that they damage children's development.

When quality of care is compromised, it is compromised at a price that we can now document. Children in poor quality child care have been found to: spend substantial amounts of unoccupied time, tuned out and unengaged in social interaction or activities; be delayed in their cognitive development, assessed with standardized tests, and in their pre-reading skills; to fall behind age norms in the nature of their play with other children, for example, continuing to work in parallel alongside other children beyond the time when they should be exhibiting truly interactive play; to be insecurely attached to their caregivers; to display more aggression towards other children and adults; to show significant delays in their language development, particularly their use of language to regulate and interact with others in their environment.

When you chip away at a child's cognitive development and his language development and his capacity to interact effectively with other children and his trust in adults, you leave behind a child who is pervasively disadvantaged. That should not be the consequence, unintended or otherwise, of welfare reform.

Research indicates that poor quality care may take a heavier toll on the development of poor than non-poor children, especially with respect to their reading ability and their relationships with their teachers. Children who lack a solid base of pre-reading skills and who are not regarded favorably by their teachers have a very high probability of doing poorly in school.

Safe, trustworthy, and reliable child care is critical not only for children, but also for their mothers' efforts to prepare for and maintain jobs. Evidence from evaluations of the GAIN program in California indicates that AFDC mothers who were worried about the safety of their children and who did not trust their providers were twice as likely to drop out of the job-training program. Given the neighborhoods in which many of these children reside and receive their child care, mothers naturally worry about violence, drugs and strangers in the provider's home.

Studies have also documented the instability and complexity of the informal child care arrangements commonly used by the majority of poor children. That instability often undermines women's efforts to comply with work requirements that include non-standard work hours, multiple jobs and inflexibility with respect to unpredictable family crises such as sick children. Not surprisingly, several surveys of low-income mothers—particularly those who are single, employed, or in their teenage years—have documented that nearly half would change their child care arrangements if they could in order to obtain more dependable care for themselves and their children. Those using relatives are most likely to indicate a desire to change; those using center-based care are least likely to wish to change.

If the availability, quality and stability of child care will play a critical role in the success of welfare reform, what role can the Congress play? We have clear evidence: by providing a combination of economic assistance, information services and support for upgrading quality, Congress can continue to promote the quality of child care that will serve current policy goals.

Research has established that:

- government programs, such as Head Start (with its 25% quality set-aside) and Chapter I preschool programs, provide higher quality care and more comprehensive services to the very low-income children that they serve than do community-based child care centers that have not benefited from the same levels of subsidization or attention to quality.

- among typical child care centers, those that are operated by public agencies, worksites, or with public funding tied to higher standards provide significantly higher quality care than centers without these sources of subsidy.

- within a nationally-representative study of child care centers, those with access to public subsidies provided higher quality care compared to those that were largely dependent upon parent fees.

- across studies, subsidized programs are far less likely than unsubsidized programs to fall below thresholds of basic safety, sanitation, and supervision.

This is an arena in which government action has worked to shore up an otherwise very fragile system; a system that cannot provide dependable, quality care to poor and low income families on parent fees alone. Even the small quality set in the Dependent Care Block Grant has served to encourage all increase in the number of states that invest in child care training from half to virtually every state.

The welfare reform effort now underway in the Congress is, in many ways, all experiment of immense proportions, and many of those who will feel the impact of that experiment—good or bad—will be very young children.

Already, the typical baby starts child care before she even reaches her 3 month birthday and spends over 30 hours every week in a child care placement. Many of these children experience three or more providers in just the first year of life.

As a result of the work requirements contained in welfare reform proposals, the number of very young children who will be exposed to extensive care is going to rise quickly and substantially. The pressures on our current child care system, which are already forcing states to choose between serving AFDC families in job training programs and families with meager earnings who are making the transition to self-sufficiency, will mount exponentially. Under these circumstances, if the Congress fails to maintain the few policies and protections that have begun to expand the availability of continuous, safe, and developmentally beneficial child care, then millions of our most at-risk children who would most benefit from quality services may instead be consigned to even worse environments than they are now experiencing.

Welfare reform predicated on moving recipients to jobs and self-sufficiency cannot succeed without an extensive network of child care. This need for child care has traditionally been viewed as a secondary cost associated with welfare reform. But for children this child care constitutes a primary, critical environment for their development. They and their parents must be assured that the care they receive is safe and reliable and able to deliver them at the school door equipped with the developmental skills that will set them on a path towards productive and constructive adult lives.

PREPARED STATEMENT OF TAMARA ELSER

W.H. Murray once said, "Until one is committed, there's hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of creation, there is one elementary truth, the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in one's favor all manner of unforeseen incidents and meetings and material assistance, which no man could have dreamt would have come his way . . ."

My name is Tamara Elser. I am a thirty-seven year old single mother of four and a fulltime Social Science Major in my junior year at Castleton State College in Castleton, VT. For my three youngest children and myself providence began to move the day I committed to leaving the familiarity of our home in Florida to begin anew in the unfamiliar state of Vermont. Recently divorced from an extremely abusive man, eight months pregnant, with approximately \$8 in my pocket, three suitcases and two children ages 6 and 2, I arrived in this State prepared to give my unborn up for adoption and to escape the ongoing abuse which my divorce did not put an end to. Two weeks after arriving, I realized that whatever it took, I was going to parent my baby, become independently self supporting and emotionally recovered from the 13 years of intermittent traumatic abuse I'd suffered at the hands of my ex-spouse. I wanted to be able to provide for my children as many opportunities as possible. I wanted to work to free them and myself from the stigma of poverty. I wanted to break out of the cycle of abuse and become actively involved in speaking out on behalf of others who had lived as my children and I had.

Providence has since presented itself in many ways, the first of which came in the form of Vermont's Social Welfare Program, which provided a bridge from destitution and abuse to independence and safety for my children and myself. My extremely kind, patient, encouraging case workers at the Department of Social Welfare (DSW) have guided me through the maze of paper work involved in making it possible for the State to assist me with the necessities of shelter, adequate nutrition and medical care. In addition, those workers provided me with career counseling which led me to become involved in the Reach Up Program as a means of obtaining a college education.

Having left school during the early part of eleventh grade and subsequently obtaining a General Equivalent Diploma (GED) at age twenty-one while working at minimum wage jobs, which provided little experience and education, I felt a college degree was my hope for comfortably and adequately supporting my family.

Child support should have been of help to me in this endeavor, however, over the past four and one half years my children's self employed father has failed to comply with court ordered support. After several contempt hearings I realized that unless new and stricter laws were brought into effect I was never going to be able to depend upon shared financial responsibility for our children. This has been an issue of great concern to me. I've often considered the fact that were I, the custodial parent, to neglect to use my financial resources to support my minor children or neglected to spend quality time with my children each week, I would be charged with

neglect. I would face losing my children to foster care, and a series of legal proceedings which may lead to jail. Yet many non-custodial parents, such as my exspouse, are neglecting their children's financial, physical and emotional needs in just such a way and getting away with this neglect.

This financial neglect coupled with the fact that I was now alone in Vermont with no family support (my family for the most part resides in Florida), left me totally dependent upon the government funded resources that were and are available to my children and myself.

One such resource has been the provision for child care expenses, without which I could never have considered returning to school. Without this extremely important service I would not have had the opportunity to develop marketable skills with which to return to the work force and self-sufficiency. If I had been forced to provide for my family with the meager earnings I could have received from unskilled employment it would have left me needing one job to cover the expenses of child care and another to cover the cost of providing an adequate, comfortable home, nutritious meals, medical expenses, reliable transportation, as well as the insurance and maintenance necessary to keep a vehicle in working order if I am to be able to present myself daily at the job site(s). Such a schedule would allow no time for proper parenting, my top priority.

I am grateful to have been given an opportunity to achieve my potential in life and to continue on my journey toward self reliance. One opportunity along the way is the scholarship awarded to me through Senator Jeffords' office. This money has enabled me to secure child care which was not available to me through Reach Up, my primary source.

While I have benefited greatly as a result of the Reach Up State funded program, it has not been without its draw backs. Weeding through the regulations and paperwork, taking time out of my busy class schedule and study time to present myself for periodic reviews and trying to explain to new case managers my needs, becomes, at times, overwhelming. The paperwork becomes another time constraint, in addition to my responsibilities to my family, classes, and the volunteer work I do at the local Battered Women's Shelter. I also have more paperwork and interviews necessary to qualify for programs such as Women, Infants and Children (WIC) and Aid to Needy Families with Children (ANFC).

Child care funding is, from my understanding, provided by two separate resources both of which are regulated through my Reach Up case manager. Through Social and Rehabilitative Services (SRS) my registered day care provider is paid for regulated hours which often are not enough to allow me to fulfill my college requirements of homework, clinical or internship hours and class attendance. Through another fund, non-registered day care workers are paid. These workers are often needed for hours when more structured day care providers do not work. Such non-registered child care may be necessary for classes held after-hours or during weekend hours in the library for compiling research for term papers and studying for finals.

Regardless which type of day care is utilized, time restrictions often prevent me from participating in many activities that would be of benefit to me like study sessions, or continuation in the nursing program that I began at the onset of college, a program requiring endless hours of dedication. Typically college professors suggest that for every one hour of class time a minimum of two hours of study time should be devoted yet I am allowed only one hour of child care for every one hour of class. I am a full-time student currently enrolled in four classes and a coop which involve 7 hours of class time per week and 20 hours of internship for a total of 15 credits. In addition to the 7 hours of study time I am allowed by regulations minimal travel time.

Child care has enabled me to go to school, while volunteering at the Battered Women's Shelter. Without this assistance I certainly would not have a cumulative Grade Point Average (GPA) of 3.5., a Grade Point Average which will enable me to graduate, in December 1996, Cum Laude.

In addition to time constraints one must consider the conditions of daycare. Overworked Social and Rehabilitative Services (SRS) workers cannot possibly monitor every child care provider and her facility very closely. My children have encountered appalling conditions, not apparent at the time of my initial and subsequent interviews, which have caused me to have to search for a more suitable environment for them sometimes in the middle of a semester when I have little time, perhaps only overnight. Securing such a situation when many providers are already caring for the maximum number of children allowed by state regulations is difficult. Considering the low standard of pay that child care providers have been conditioned to accept, what can one expect even in the best of child care environments? Our children should be our primary concern. After all, their upbringing predicts the attitudes and behaviors which they carry with them into their future, a future which is shared

by the rest of us. We hope that we will find them in the position of raising families, working in government positions, as chief executive officers and presidents of major and smaller scale corporations, teaching our grandchildren or great-grandchildren. We do not want them filling our prisons.

Our day care workers become a major influence on our children, who spend the majority of their waking hours in their care. Are these workers paid enough to ensure that our children receive appropriate social skills training, supervised help in learning to speak properly, to learn letters, numbers, and to write their names? Is it any wonder that some of the care providers merely sit their charges in front of the television set or turn them loose in unsupervised play? Further, is it any wonder that we then hear kindergarten and first (1st) grade teachers complain that they must teach children to sit properly in class, behave appropriately, dress appropriately etc. before they can ever begin to teach?

We often look down on working class families or ridicule excessively the poverty stricken families especially those who are on State assistance, accusing them of bad parenting skills when in fact they and their children have actually been robbed of the opportunity to bond and to learn from one another at a child's early age. We have entrusted underpaid day care providers to take the place of family learning opportunities and necessary bonding sometimes leaving children floundering and insecure.

Children whose parents attend school or work odd shifts may find themselves shifted from one day care provider to another, forcing children to adapt to several sets of rules and daily routines which ultimately may confuse and frustrate them. In some States, I understand that this may also occur as a result of shifting welfare status, while in Vermont, I am happy to say, this is not the case.

Certainly the provisions of day care funding have allowed me to explore, create and take part in many opportunities which, without such funding, would be literally impossible for me and for many others like me. I can not stress enough my gratitude for subsidized day care, which has been a stepping stone along the bridge to independence. Certainly without day care funding provided by the State, opportunities, such as the one I have today, where my voice can be heard on behalf of all those experiencing life dependent upon state funding, would not be possible.

Clearly it is the desire of the majority to implement some form of welfare reform, however, before this can become effective I implore you to consider the need for long term child care provisions, to consider the need for more exemplary providers and wages for those providers that match the tremendous responsibility placed upon them. In addition I implore you to very seriously consider the issue of child support. Consider the right of our children to be supported by both the custodial and non-custodial parent, financially and emotionally, without exception. Consider the idea of criminal charges that involve neglectful abuse when court-ordered support is unpaid. Please also consider that for many women welfare is a bridge. Many of us have had the courage to leave abusive situations and truly have no intention of remaining dependent upon anyone (including the State) in which we chose to seek refuge. When one considers that 1.8 million women are abused in this country every year, 4,000 of those are murdered by their intimate partner and of those 4,000 many are murdered in the process of trying to leave, then courage is an understatement. Welfare reform in Vermont, for some of those women, now has a time limit. I implore you to consider the fact that for some women and their children full recovery may not be accomplished within that time frame. For others that recovery may be possible but setbacks may prevent it.

Consider a sick child whose day care provider will not accept responsibility for him or her until the child is asymptomatic. When a sick child can not attend day care, and no family or friends are available to help, a mother is torn between maternal instinct which begs her to remain home to care for her child and an employer who will frown upon absenteeism. I have an asthmatic child often in this situation. In a college setting I am freer to exercise excused absence (though more than three affect my grade for the semester) than workers with a limited number of sick or personal days would be. Primary custodial parents face losing their employment due to all sorts of day care dilemmas including what to do with a sick child. Many issues must be seriously considered before any welfare reform package can be effective in such a way that all Americans benefit, including our children who will ultimately be the future.

PREPARED STATEMENT OF ROBERT I. LERMAN

Thank you very much for giving me this opportunity to testify today about the role of noncustodial parents, especially fathers, in welfare reform and child care. I want to express my special concern that we not miss this opportunity to do more

to prevent illegitimacy and to encourage fathers to help raise and support their children. I am especially worried that current welfare reform proposals carry the danger of further marginalizing low income men and thereby worsening the problems of children. I will suggest specific policies aimed at prevention and at expanding the productive involvement of fathers.

Chairman Kassebaum, this committee is well aware of the tragic situation facing many American children and their families. About one in every five children lives in poverty; nearly one in four children is born outside marriage; and over one in every six children born in the last few years has no legally recognized father. The figures are more devastating figures in the African-American community, where over 40% of children are poor and two-thirds of births are nonmarital births. We are all rightly concerned about the breakdown of the American two-parent family.

First, high rates of one-parent families, especially those headed by young mothers who have never married, are a major factor behind today's high poverty rates. In 1989, the poverty rate of persons in African-American families with children was about 39%. I estimate that if black mothers had married at the same rates in 1989 as they did in 1971 (only 18 years before), the child poverty rate would have been a much lower 27%. Living standards would have also been higher for the near-poor.¹

Second, researchers have documented that growing up in a family with only one biological parent present leads to a range of socially negative outcomes, such as higher school dropout rates, higher unemployment, and a higher incidence of teenage and unwed childbearing.

Third, unmarried mothers are likely to go on welfare and become subject to massive disincentives to work in formal job markets or to marry. The rise in never-married young mothers accounted for over half of the rapid growth in the welfare rolls since 1988. Although many mothers use welfare as a one-shot temporary safety net and some leave the rolls for marriage or work, too many become long-term recipients and chronically poor.

Fourth, as Professor William Julius Wilson has argued, the extreme scarcity of married, employed fathers in low income minority communities has left young people with few constructive role models and has significantly contributed to the deterioration of ghetto areas. Newspaper stories of individual tragic cases capture dramatically the dry numerical indicators of high rates of youth murders, drug abuse, sexually transmitted disease, homelessness, and poor education.

Weaknesses of Current Welfare Reform Proposals Regarding Fathers

The long-term decline in marriage rates, growth in illegitimacy, and high divorce rates are the result of broad social phenomena, such as the increasing prominence of individualism over duty and morals and the displacement of the family by the welfare state. Economic strains have contributed to the problems, though only in combination with changes in values and other broad social forces. It is unlikely that public policies can turn these destructive trends around in the short-run. However, government officials can do much more to promote the values of marriage and responsible parenthood and at least make sure their policies do not make matters worse.

Many current welfare reform proposals might well do so. By emphasizing work-based help to unmarried mothers so they can become independent through their own earnings, child care and health care from the government, and child support from unmarried fathers, the new schemes may well: 1) add to the marginalization of fathers; 2) increase the incentives of parents to avoid marriage and sustain the idea that fathers are expendable; and 3) reduce further the contact between many children and their fathers. The strategy does virtually nothing to encourage marriage, marital stability, and the cooperation of both parents and does little to reduce nonmarital births. The focus is on expanding the earnings of mothers (to the extent they exceed child care costs) and the amount of support payments from noncustodial fathers. The typical proposal ignores the potential for raising the earnings of fathers and for widening the father's involvement with his children through child care and partial custody.

Perhaps the reason sponsors of welfare bills probably pay little attention to expanding the role of fathers is their stereotypical view of unmarried fathers as having little interest in raising and supporting their children. Certainly, the stereotype holds true for some fathers. But, my own research indicates that at least for the period in their children's early years, a significant proportion of unmarried fathers visit their children frequently and pay a reasonable proportion of their income for

¹See my "The Impact of Changing U.S. Family Structure on Poverty and Income Inequality in Families with Children," forthcoming in *Economica*.

child support. In 1986, for example, 57% of unwed fathers visited their children once a week or more and about 35% voluntarily paid child support.² Another trend indicating an increasing interest of fathers in their children is the rise in father-only families. Between 1980 and 1992, the proportion of families with children headed by one parent rose from 20% to 26%; families headed by unmarried males accounted for one-third of this increase. Fathers are increasingly delivering child care as well. Among married couples with an employed wife, fathers provided 20% of the child care as of the Fall of 1991, almost as much as all organized child care.

Even among fathers who currently offer little financial support or care for their children, an expanded role is possible and might emerge if we choose wise policies and undo policies that create perverse incentives and signals.

Why do current policies discourage marriage and father involvement?

First, economic disincentives to marriage are widespread in the tax system for two-earner couples and in the transfer system for all couples. The disincentives are the direct result of a progressive tax and welfare benefit structure and the use of a family (or married couple) definition of income. For example, suppose we used the same tax schedule for married couple and single taxpayers and we taxed the first \$40,000 at a 15% rate and the next \$40,000 at a 30% rate. If a man and woman each earned \$40,000, then they would pay \$18,000 if they filed as a married couple but only \$12,000 as two single individuals. The use of separate tax schedules for married couples reduces but does not eliminate this disincentive. In the case of welfare programs, the disincentives are much more severe partly because there are no separate schedules for married and single individuals. Consider an AFDC mother without any income and receiving \$8,000 per year in cash and food benefits and a father earning \$14,000. If the couple did not marry nor report they lived together, the family could keep \$22,000. If the father married the mother, then they would lose virtually all of their welfare benefits (nearly \$8,000) while gaining about \$2740 under the Earned Income Tax Credit (EITC) for a net loss of about \$5,000.

Even the EITC has its own marriage penalties. Consider a mother of two children earning \$9,000 per year and a father earning \$16,000 per year. If they live together outside marriage and each parent claims the EITC, they will be able to keep a full and a partial credit of over \$5,000 as well as food stamps worth \$2,000. If they marry, they will lose virtually their entire \$7,000+ benefit package.

The interaction between child support payments and welfare adds a disincentive for fathers to pay child support. Nearly all child support payments paid to custodial parents on welfare offset government welfare spending instead of raising the incomes of the children. AFDC mothers on food stamps end up with a net gain of at most \$35 per month, unless the support payments are high enough to move the family off welfare. One result is to discourage fathers from paying support, especially through formal channels. Many fathers are keenly aware of the fact that court-ordered child support payments to children on AFDC do not go directly to their children. Focus group discussions undertaken by the Manpower Demonstration Research Corporation as part of the Parents' Fair Share Demonstration provide revealing comments. As one man put it, "She wasn't seeing nothing. And my son wasn't seeing nothing. So I wasn't paying nothing." Another complained: "It's not going to the child's mother, has to be going to the system." A third said: "Say welfare has been taking care of the child for the last three years until they caught up with you; they caught up with you now. Your wife wouldn't see the money on the welfare check . . . they are just getting their money back."³

The formal system gives AFDC mothers and absent fathers an incentive to collude and have payments flow through informal payments. Another result of the welfare and child support incentives is to push mothers and fathers into the informal sector or underground economy.

These incentives interact with state child support guidelines that discourage fathers from taking an active role in raising their children and becoming a partner in the provision of custody. In 31 states, the child support guidelines do not call for an explicit offset to child support obligations for the time the noncustodial parent is caring for the child. In another 14 states, noncustodial parents can only receive reductions in support payments if they take care of the child for 30% or more of

² See articles in Robert I. Lerman and Theodora Ooms, *Young Unwed Fathers: Changing Roles and Emerging Policies*, Temple University Press, 1993, especially p. 45.

³ See Furstenberg, Frank F., Jr., Kay E. Sherwood, and Mercer L. Sullivan, "Caring and Paying: What Fathers and Mothers Say About Child Support," a report of the Manpower Demonstration Research Corporation, New York, July 1992.

the time.⁴ These limitations on policy, together with disincentives related to the welfare system, create serious barriers to involving low income absent fathers in long-term relationships with their children.

Taking Account of the Causes of Unwed Fatherhood

Certainly, the best alternative would be to prevent all nonLarital births, especially among young people or others without the financial ability to support their children adequately. Before presenting my ideas about prevention, I would like to discuss briefly key aspects of what we know about the causes of unwed fatherhood.

Evidence from my quantitative study indicate some surprising findings about whether a young man becomes a father outside marriage. Jobs alone and a low unemployment rate did not seem to reduce unwed fatherhood. The massive expansion of jobs between 1982 and 1988 lowered the national unemployment rate from 9.5 to 5.2 percent, reduced the unemployment rate of teenage males from 22 to 14 percent, and raised the proportion of employed black men from 51 to 57 percent. Unfortunately, this increase in job holding did nothing to lower the rate of unwed fatherhood. At the same time, higher abilities and thus the increased likelihood of obtaining a good job did show a large and significant association with reduced unwed fatherhood. Those with religious values or who experienced the discipline of the armed forces were also much less likely to become unwed fathers.

Some of the qualitative evidence comes from research by Elijah Anderson and Mercer Sullivan.⁵ Anderson describes scenes from an inner-city area in which young men, pushed by strong peer pressure, delude young women into thinking they will marry them if they have sex and have a baby. The black young men in the group observed by Anderson boasted about their sexual exploits and derided conventional family life. In this world, young men gained status by conquering young women and by not admitting paternity. However, both Anderson and Sullivan argue that this source of pride comes in part from an absence of other concrete and attractive sources of pride and accomplishment, especially the dearth of desirable job prospects.

There are plenty of linkages between these behaviors and the negative experiences in their own families and in schools. Young fathers often come from one-parent families themselves and often lack a close relationship with their father or other constructive adult role model. In the absence of strong community activities or strong family lives, many young men turn to peer groups of young people with similar problems and attitudes. Schools offer too little immediate incentive to do well, thus giving students little reason to resist peer pressure not to study. By the time a hardworking student would experience the gratification from accomplishing something fulfilling on the job and earning a steady income, too many students get into serious trouble with crime or drugs. Given the dearth of young men likely to obtain good jobs, young women have little expectation of marrying a husband who can provide strong economic support for their children.

What Can Policymakers Do?

The seemingly intractable and increasingly serious problems of nonLarital births, disrupted families, high crime rates, poor schools, welfare dependence, and weak connections to jobs pose a major challenge to policymakers. Government cannot solve the problems alone, but I strongly believe better policies can make a difference in the long run. In making my own recommendations, I will concentrate on elements not already part of existing welfare reform proposals.

School-to-Career Policies As A Prevention Strategy

The best place to start is with prevention. In my view, the most promising strategy is to expand significantly on the efforts of this Committee, the Administration, and many state governments to promote a large scale system of youth apprenticeships and other serious connections between school-based and work-based learning. It is one of the few approaches with the potential to make a significant difference and to enhance productivity as well. Although the school-to-work initiative is a universal strategy, it is especially critical for inner-city and minority youth for several reasons.

Access to youth apprenticeship during the late high school years can reduce the negative influence of peers by exposing young people to constructive adult peer groups. It can lead to a natural mentoring process in which the mentor/trainer has

⁴These figures are drawn from Marygold S. Melli and Patricia R. Brown, "The Economics of Shared Custody: Developing an Equitable Formula for a Dual Residence," *Houston Law Review*, Vol. 31, 544-584.

⁵See their essays in Lerman and Ooms, *op. cit.*

a stake in the success of the apprentice not only at the work site but in academic studies as well.

Starting early is critical to improve incentives and to help inner-city youth before they experience serious trouble. Waiting for two years of higher education before young people experience adult job responsibilities might not create serious problems for middle class youth, but could prove disastrous for inner-city youth. By that time, too many will have become involved in crime or unwed parenthood. Given their poverty, few disadvantaged young people are willing to accept delay for uncertain returns and look forward years into the future.

Apprenticeship gives employers the chance to watch young people as they learn critical skills. Minorities and disadvantaged youth are most likely to suffer from group labels suggesting a lack of motivation, basic skills, and questionable integrity. An apprenticeship gives the young minority worker a chance to demonstrate his individual strengths during a probationary period after which employers can make their long-term hiring decision. Indeed, employers may find school-to-work program an especially appealing source of qualified minority workers.⁶

Improving the formal system of placement in training and jobs would reduce the disadvantage of poor youth with respect to informal channels to jobs. Inner-city youth lack knowledge of middle range of jobs and lack access through informal channels. Often, even when plants are located within inner-city poor areas, employers are unwilling to hire local residents because they do not trust them. Many firms hire by word of mouth or through other informal channels. Those with the fewest connections to jobs—without a working father, or uncle, or aunt—are at a serious disadvantage. Apprenticeship provides a formal mechanism in which employers can have confidence and can try out marginal workers.

The preliminary indications indicate that these arguments have validity. Recently, the organization Jobs for the Future reviewed early results of ten school-to-career programs. The study found that the work placements were "encouraging good work habits" (92%), were "more enjoyable than school" (65%), were "preparing me to advance to a better paying job" (83%), and had enhanced their motivation at school (56%); that classes were "more interesting" (56%) compared to friends not in the program, and that participants had better relationships with teachers than nonparticipating students (51%). A representative of the Oakland (California) Health and Bioscience Academy reported that an entire school in a difficult neighborhood has been turned around as a result of the school-to-career activities.

So far, we have no data on the impact on delaying childbearing and on nonmarital births. However, the indications are that these programs can engage students, expose them to a constructive adult setting, and can draw them into a new vision for their lives. Such changes are bound to attract young women to alternatives to early motherhood and to raise the prospects that young men can earn a middle class income and make it more likely that they become responsible fathers and husbands.

The early experience with school-to-career projects is hopeful. Now, it is time to move the process more quickly and to make sure we analyze the potential for these programs to reduce nonmarital births significantly. Recently, a National Academy of Sciences panel on postsecondary education for the workplace called for a large-scale demonstration of youth apprenticeship in a few cities.⁷ The report points out that a citywide demonstration involving 20-25 percent of a cohort might affect not only apprentices, but others by improving the milieu of the school so that student peers no longer discourage academic achievement and by changing the expectations of 8th and 9th grade students. Employers, students, parents, and teachers will come to know the system and be more willing to participate. The natural mentoring of large numbers of inner-city youth could have other positive social effects. Scale is also important for judging the costs of the program and the ability of the system to create special courses relevant to apprentices. A large scale effort in a major central city would also indicate whether the school-to-career approach can significantly reduce teen pregnancy and nonmarital births.

Another way to accelerate the building of a new system is to have Federal, state, and local government officials could recognize their roles as employers and develop youth apprenticeships, especially in occupations with counterparts in the private sector. Currently, the government is one of the least active employers of youth in responsible positions. Instead of simply preaching to private employers to become involved, the government should lead by example through the development of apprenticeships in the public sector. In doing so, it would confront directly the issues faced by schools, private employers, and students.

⁶Osterman, op cit., 1994.

⁷Janet Hansen, *Preparing for the Workplace: Charting a Course for Federal Postsecondary Training Policy*. National Academy Press. Washington. 1994.

Engaging Fathers by Improving Their Incentives and Encouraging Parental Involvement

It is more hazardous to develop sensible policies to engage fathers than to undertake sensible prevention policies. Offering services on the basis of unwed fatherhood can be inequitable and create inappropriate incentives by favoring those engaging in socially undesirable behavior. However, there are several policy changes that reorient current policies away from the perverse practices in tax policy, child support and child custody policy, and in employment services.

Reducing Marriage Penalties under the EITC

A good first step would be for the Congress to stop discouraging marriage among families with children by eliminating the marriage penalties under the existing Earned Income Tax Credit. Just as the standard income tax schedules differ for married and single individuals, so too should the Congress produce separate EITC schedules. A second change in the EITC should be to provide a prorated credit for noncustodial parents who provide custody for at least 20% of the year. The current policy is inequitable by failing to take into account the expenses of parents with partial custody; it also fails to promote the appropriate incentive of having noncustodial parents become more involved with their children.

Contract with the Two Parents

Separated parents face a complex interaction between child support guidelines, partial custody, welfare benefits, and employment rules. These policies have developed with little consideration to engaging fathers more fully in raising as well as providing financial support for their children. In the case of welfare policy, the focus on the mother is most explicit in terms of the goal of making her independent of government support. The JOBS and other programs call for the recipient to sit with a counselor to develop an employability plan. The role of the noncustodial father is relegated to paying child support, even though he knows that the support will mainly offset government outlays rather than raise the living standard of his children. Government agencies make no effort to promote partial custody, encourage fathers to provide child care, or to help them earn enough to play a significant role in benefiting their children.

I propose that relevant agencies combine to develop contracts with both parents aimed at assuring adequate financial support and at encouraging parental involvement in the raising of all children. This would be a major change in service delivery and in the underlying assumptions guiding welfare, child support, and employment agencies. A public representative would attempt sit down with the mother and father of children born outside marriage or of divorced or separated parents going on welfare. The goal would be to take full advantage of the potential time, child care, and human capital contributions of both parents. In this setting, the parents might choose to have an unemployed father fulfill much of his child support responsibility by providing child care. Alternatively, the parents might have the noncustodial father be the parent taking part in a job-finding club, a special job placement program, or a public subsidized job in return for a higher level of child support provided to the custodial mother.⁸ Parents would be able to prorate child support obligations fairly so that noncustodial parents would not be penalized by sharing custody. The underlying goal would be to give the child the right to grow up with the care of both parents. In addition, this approach would emphasize that both parents (including noncustodial fathers) have rights as well as responsibilities. The aim would be to convince noncustodial parents that taking part in a joint effort can be rewarding to them and to their children, that the state will be flexible in assuring that their contributions do indeed enhance the welfare of their children.

The best time to begin working with both parents is at the time of the birth of the child and during the next few years. At this point, most fathers are still involved with their children. For some, it is frustration over unemployment, low wage jobs, shared custody and visitation issues, and/or financial disincentives that erode their involvement with their children. A contract with parents signed soon after the child's birth can clarify how both parents can remain close to their child and help make an adequate living standard into a reality.

Certainly, not all noncustodial fathers or mothers will choose to become involved at all. Many will never show up at the meetings nor cooperate in any way. At that point, we as citizens can feel that pure enforcement strategies and efforts to promote independence for one parent are appropriate. However, I believe a sustained

⁸Paul Offner recently suggested the idea of having the noncustodial father take a publicly subsidized job in return for excess child support. See his article, "Welfare Dads," *The New Republic*, February 13, 1995.

effort at generating (and revising) contracts with parents has the potential to engage many fathers who would otherwise be marginalized by the new welfare reforms.

Finally, we should examine carefully the emerging lessons from the Parents' Fair Share Demonstration. These projects, as well as other unaffiliated projects, emphasize peer support toward recognizing the responsibilities of fatherhood. So far, these group counseling and peer support sessions seem to be influencing young men to put greater effort into their parental responsibilities. However, some have already become frustrated with the reality that their take-home pay after child support is low and that the money does not significantly raise the living standards of their children.

It is well past time for welfare policy to take the potential contributions of noncustodial fathers and mothers seriously. Their financial contributions alone will not substitute for their active involvement in child rearing. Moreover, unless we emphasize the broader responsibilities of parenthood, we may lose their financial support as well.

PREPARED STATEMENT OF CLAUDIA LANGGUTH

Good morning Madam Chairman Kassebaum and members of the Committee. I am Claudia Langguth, a consultant with Tonn and Associates, a private firm based in Austin, Texas, which specializes in health and human services research and consulting. I have been asked to testify today because of my previous experience in working at the Texas Department of Human Services as a deputy commissioner responsible for the administration of Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, employment related programs, and child care programs, and because of my recent role in working with the new Governor of Texas in his welfare reform proposals. I worked for the Texas Department of Human Services until three years ago, and in 1991 helped to implement a comprehensive child care system that coordinates nine sources of state and federal funding, including the Child Care and Development Block Grant, Title IV-A At-Risk Child Care, Job Opportunities and Basic Skills (JOBS) Training Child Care, Transitional Child Care, and Title XX Child Care.

I welcome the opportunity to present my views and the views of local human service and child care administrators on the proposed changes in welfare and child care programs, and to discuss some of the challenges we faced in Texas when we brought together nine major child care funding streams and attempted to create a seamless system.

Let me first say thank you, Madam Chairman, for your leadership and commitment to develop a less burdensome and more flexible way to fund and administer human services, and in particular child care. I also want to thank you for scheduling this hearing today. It is important to the future of families and children that there be a public forum to discuss the issues and concerns of the states and individuals impacted by the proposed changes. As a consultant for the past three years, I have had an opportunity to work with a number of states, counties, and private providers. My comments include many of their observations and concerns regarding the proposals now under consideration. My comments also reflect the experience of helping to create the Texas Child Care Management System, CCMS, that coordinates the majority of subsidized child care funding for Texas today.

In my testimony this morning I will state several critical points that this committee needs to consider in developing its proposals, particularly in the area of child care. And will discuss the process that occurred in Texas to try to have a coordinated, streamlined system to provide child care to low-income and needy families, and the lessons learned during that process. I will also discuss some of the problems which we encountered, and which we still have to deal with today.

CONSIDERATIONS AND RECOMMENDATIONS

Based upon my experience over the past twenty years as a program implementor and policy maker at the state and local levels, I believe that the following considerations and recommendations are important for this Committee to incorporate in its design of welfare and child care programs:

1. Welfare reform can only take place if there is available, affordable, and safe child care for families who need it. Any plans for changing the welfare system must include and address the child care needs of the families who are trying to become self-sufficient. This is particularly critical in Texas and in other states that are looking at time-limited welfare benefits, and mandatory employment for welfare clients. Texas will spend a total of \$118 million in JOBS related services, and \$172 million in subsidized child care services this year, but will have less than 16 percent partici-

pation of its eligible population in the JOBS program. We must rethink our ways of doing business, and how we spend our scarce resources, if we are to help families in poverty become self-sufficient. I have become convinced that child care and support by both parents are two of the keys to successful outcomes.

2. The linkage of subsidized child care and the employers in the community must be made. Subsidized child care should be tied to maintaining self-sufficiency. Our CCMS system did have a positive impact on reducing administrative costs and complexity, and does help families gain access to child care. But the linkage of child care and employment does not always occur, because of the sometimes conflicting goals and entitlements of the various child care programs.

3. The block grant process needs to "trickle down" from the states to the local communities. The local communities in each state should also have the flexibility to design a child care system that meets the needs of their area. Too often federal and state regulations get in the way of providing quality care that meets the changing and various needs of families and communities. The child care needs of El Paso are not the same as those of Houston. In our process of moving together the Texas subsidized child care programs, we had to actively engage as many community participants as possible, particularly the parents and the providers. When you change the way you fund programs, you can't parachute these changes into a community. You need to work on making the transition as easy as possible in order to preserve the best parts of the existing systems.

4. Subsidized child care should be considered as part of the larger issue of caring for children. Communities need to have a plan and a process that will help them develop a system of services and care that help families become strong, self-sufficient, and able to assume responsibility for their own well-being.

5. Not all child care funds need to be put in one large block grant. HeadStart is already block granted to local communities, and it would be disruptive and detrimental to change the funding mechanism of this program. By continuing and fostering local collaboration, HeadStart can be an integrated part of the seamless system we are trying to create for families and children, and we have seen HeadStart and other child care programs work together well in Texas.

6. Outcomes and cost/benefits for programs should be clearly defined and measured by states and local communities, particularly in the high cost area of child care. These outcomes should include: Better health through immunizations, and well baby and well child checkups; Improved educational performance; Improved adult economic status; Reduced out-of-wedlock births; Reduced criminal behavior; Positive social dispositions and interactions; and Development of better parenting skills.

Similar outcome measures should be developed for welfare to work programs. Counting participation is not the same as measuring how many people are able to become employed and self-sufficient. The outcomes should measure the impacts and the effectiveness of programs, and funding and incentives should be tied to outcomes not processes.

7. States and communities should be given maximum flexibility in designing programs and spending federal dollars. The current "system" of child care and multiple funding sources have resulted in large gaps in the availability of child care to low income families. The categorical nature of most child care programs, the inflexibility of regulations regarding rates paid to providers, the programmatic restrictions on who can be served, the time-limits for service, and the rigidity of federal and sometimes state regulations regarding employment related activities have all contributed to these gaps. Furthermore, the child care providers report a large increase in turnover of children in their centers because of these service gaps. Good providers have been forced out of business in Texas because of these service gap problems.

8. Federal funding and block granting to the states should be based on recognized levels of need, such as the number of children in poverty, with enhanced funding provided to states that can demonstrate positive outcomes in using federal funds.

In the next section, I will discuss how we implemented the CCMS system in Texas, and how this process impacted children, families, and communities.

IMPLEMENTING THE CCMS SYSTEM IN TEXAS

Prior to 1990, subsidized child care received little attention in Texas except from a small cadre of determined parents and advocates. Subsidized child care was funded mainly by Title XX, the Social Services Block Grant, and was limited to 140 contracts with licensed child care providers and 250 agreements with licensed providers and registered family homes. The state met less than 3 percent of the documented need for subsidized child care. With the opportunity for the State to realize a large increase in funding brought about by the Child Care and Development Block Grant

and the IV-A At Risk Child Care Program, and the Family Support Act of 1988, Texas had to rethink the way it administered its child care services. The system was too fragmented, inflexible, and unresponsive to the needs of an increasing population of families needing child care.

Child care funding sources for the Texas Department of Human Services (DHS) jumped from three in 1989 to nine by 1991. The number of discreet client groups served by these programs increased from four in 1989 to 22 in 1991. And the number of children served increased from 16,600 children served on a daily basis to over 40,000 in less than two years. DHS was faced with qualifying, enrolling, and tracking tens of thousands of children, in a vast and diverse State of Texas, literally in a matter of months. While many contractors provided comprehensive child care and child development programs, the system itself limited access to care. Frustrated child care providers and advocates called for a massive overhaul of publicly funded child care. During the summer of 1989, a weekend meeting of interested providers and key advocates developed the concept and the goals of what was to become the CCMS system.

CCMS goals include the following: To give families who are eligible for DHS subsidized child care more arrangements to choose from; To create a "tree market" environment that gives more providers opportunities to care for DHS subsidized children; To give children greater continuity of care because all sources of DHS child care funding are consolidated; To give parents and communities simple access to DHS child care services by coordinating all services through a single agency in each area, the CCMS contractor, and To give communities a chance to become partners in DHS child care services through the CCMS Advisory Council.

To accomplish these goals, to make the radical changes needed to make services available to all who needed them throughout Texas, and to accommodate new regulatory and statutory requirements of the new child care programs required three major initiatives:

Opening up the current provider base: The number of licensed and registered vendors who could participate in DHS funded child care needed to be greatly expanded, to accommodate the increases in child care funding and to provide for parental choice.

Developing a comprehensive plan: A coordinated, long-range planning process which involved all the stakeholders, particularly in each designated community, needed to be put in place; and

Providing automated tools: A comprehensive automated system to support the delivery system needed to be designed and implemented.

DHS took all of its child care programs and contracted with local organizations, including child care agencies, Private Industry Councils, local non-profit organizations, and in some instances, cities, to provide child care management. Some contractors are single agencies, while others are consortiums of agencies, including HeadStart providers. The CCMS contractors enter into vendor agreements with centers, group homes, group day homes, and registered family homes to care for eligible children. They assist families locate licensed and registered providers, offer parents education and training on how to select child care, and perform client intake, verify eligibility, and authorize child care arrangements. They also manage waiting lists and pay providers who care for eligible children, as well as parents who arrange their own child care. CCMS contractors also coordinate their services with other services for families and children in their areas, including educational, child care, and employment organizations.

Because we wanted to strengthen the linkage of child care to employment and training, the CCMS service delivery areas were designated along the twenty seven Job Training Partnership Act (JTPA) service delivery lines rather than DHS regional boundaries or county lines. This was designed to enhance coordination of services between the two funding agencies. However, in reality, this does not always occur, as local communication and planning does not always happen among DHS, the CCMS contractor, and JTPA. When you make a major change such as moving multiple child care programs under one system, the coordination efforts must be carried out at the local level, and local communities need to be able to "buy in" towards meeting common goals and outcomes. There is currently little incentive for JTPA's to service welfare clients, and this is reflected in the amount of coordination between the two agencies. The employment goals need to be tied to child care funding in order to have successful coordination, and common values and goals must be established.

OPENING UP THE PROVIDER BASE

One of the first decisions made in developing the CCMS was whether to continue to fund Title XX contracts, which guaranteed a provider funding for a certain number of children, along with the open market child care system, which included all qualified providers. Keeping both would have helped maintain the available child care in low income and rural areas. It would have also improved quality of care by compensating Title XX providers who offered higher quality services. But it would have limited parental choice, and created problems with our "seamless" design. Unless contractors were also CCMS vendors and had additional noncontracted spaces available, clients would have had to move to other providers when their eligibility for Title XX funded care closed. We decided to use only the CCMS open market system.

Parental choice has not been as successful as originally envisioned. Some providers have told me that "parent choice" should be called "parent lottery". Because of the limited number of child care placements available in Texas, children are usually placed on a waiting list by priority. When funding is available, the particular child care center which the parent wants to use may or may not have space available. Despite the increases in ending brought about by the new federal child care programs, Texas still provides less than three percent of its child care needs. Texas will probably not be able to match twenty million dollars in unspent Title IV-A At-Risk Child Care this year. As more low-income parents enter the work force the need for subsidized child care continues to increase. Texas obviously is behind the curve, and will stay behind unless there is a dramatic increase in funding for child care.

Also, many parents make their decisions for child care based upon economic considerations, rather than what may be best place for their children. Some parents choose self-arranged care because it is a source of additional family income. All parents should have access to guidance and training regarding appropriate child care for their children. We need to develop a child care system that improves parent choice, and eliminates or limits self-arranged care as a source of income.

Self-arranged child care can be an appropriate choice for children, but parents should understand how to make this decision in the best interest of their child. This is particularly critical for adolescent parents. Studies have shown that adolescent parents are especially prone to problems of low self-esteem and are unlikely to have learned appropriate parenting skills. In Texas, of the 124,215 first births, over forty-six percent of the mothers had less than twelve years of schooling, or were unmarried, or were under the age of twenty. Many of these parents will be ill-trained to compete in an economy that is increasingly demanding, and their children will have the same disadvantages unless they have quality care available that can help the family become self-sufficient.

Additionally, child care rates should reflect the increased cost of care associated with being regulated, and should take into account the variations in the cost of providing child care in different settings. The impact of the Title IV-A requirement that child care rates be based on market rates and limited to the 75th percentile of the local market rate has been very negative for Texas. Consideration needs to be given to the actual cost of services, and should allow some support for improved quality of care. States should be allowed to develop their own rate structures.

One of the unintended consequences of opening up the provider base in Texas was an increase in the turnover rates in subsidized child care. This appears to be due partly to the regulations regarding the type of employment situation that can be covered by a particular funding source. For example, in Texas, the At-Risk Child Care program funds cannot be used to subsidize child care if the parent loses her job and has to look for another. In almost all instances, the child must leave child care, and go back to the bottom of the waiting list.

The turnover rate of children in subsidized care far exceeds the acceptable national norms. One large service provider in Austin who has kept statistics on turnover rates reported that eighty-eight percent of JOBS funded children left care within two years, and seventy-nine percent of children in transitional child care remained in care less than two years. Very few children receive the long-term, stable, comprehensive care recommended.

DEVELOPING A COMPREHENSIVE PLAN

The initial planning process for CCMS begun in 1989 included 27 local child care planning councils with local technical work groups, co-chaired by a representative of the local council and a DHS staff member; a Statewide planning council, which included State technical work groups, and standing committees; and an executive steering committee, co-chaired by a governor's office representative and the DHS Commissioner. Because the redesign of the entire DHS child care system was based

on the need to increase the availability of child care, there was much enthusiasm among the participants, as they understood they were going to help the children of Texas. Despite their commitment to this effort, the planning process to move funding and programs under one system took two long years.

The planning process has continued with the local planning councils and the State Child Care Advisory Board. However, some providers and advocates are concerned that the planning which occurs does not take into account program outcomes. Coordination and planning should be designed to have positive impacts on children. Many policies at the state and federal level are geared towards avoiding audit exceptions and making sure that children are qualified, rather than looking at the long-term impact on children. Planning should involve the entire community, use the child care "pioneers" who have extensive expertise in operating child care effectively, and include private child care centers, HeadStart, and the school system.

Finally, planning should occur from the bottom-up. The involvement of HeadStart parents in the planning process is an excellent example of community involvement, as HeadStart parents have been involved in planning for their programs for twenty-five years. States and the federal government should give communities the flexibility to design plans that meet their own local needs, and with a minimum of regulations and constraints.

PROVIDING AUTOMATED TOOLS

One of the key components of the CCMS system is the automation that was developed to accommodate the multiple funding sources and categories of eligibility. Automation has allowed Texas to move children from one funding category to another without disruption of care, and has greatly enhanced our ability to create a seamless system. However, the initial automated system, designed quickly and cheaply, has not kept up with the needs of CCMS. DHS is in the process of redesigning the system, which hopefully will be easy to use and flexible and responsive to change.

Automation needs should be part of the consideration given in funding child care, and in linking child care to employment related services. Additionally, I cannot overemphasize the importance of having the end-users involved in designing the automation they will be using! This sounds logical, but too often this does not occur. It did not happen in Texas, and I share that responsibility. The original system design did not include much input from those who would eventually use the system, mainly because we had a very short time in which to get the system up and running.

We underestimated the initial resistance to the new automated system by those unfamiliar with its design, intent, and complexity as well as the amount of training it required. Problems with the system, both due to lack of training and "bugs" in the software resulted in delays in client processing and in reimbursing contractors and vendors for services rendered. Ample lead time should be given to states to put new programs in place to develop the systems needed to implement appropriately. States need to give sufficient lead time to their local communities and providers of service to accommodate the training and administrative changes that implementation of a new system, particularly a new automated system that is moving together multiple funding sources and programs, will require.

CONCLUSION

Texas has made a serious effort to coordinate funding sources and provide seamless services to families. The Governor of Texas has stated that he is committed to cutting costs, reducing the amount of government intervention and bureaucratic red tape, strengthen families, and allow people to take personal responsibility for their own lives. Changes in welfare and child care that include block granting of programs can help to reach these goals, if these changes are made responsibly. I urge the committee to take into consideration the concerns and considerations in my testimony.

Madam Chairman and members of the committee, thank you for the opportunity to testify today. I would be happy to answer any questions.

PREPARED STATEMENT OF JUDITH ROSEN

My name is Judith Rosen. I am Director of the Office for Children, the child care and early childhood education agency of the Fairfax County government. We are located right across the river in Virginia. As you may know, Fairfax County is a large community of over 850,000 people living in urban, suburban and semi-rural settings. While some of us are native Virginians, the amazing growth of the last five decades has made us a very diverse community. Our school system educates children from all 50 states and over 100 countries. Our children speak over 50 different

languages. Having come to Northern Virginia from Maine and Texas, from Poland and Afghanistan, Bangladesh and Bolivia, our families are working hard to make good lives for themselves and their children.

I am pleased to be here today to talk to you about one of our services, the Child Care Assistance Program, a seamless system of child care subsidies for low-income families. Last year, through a combination of federal, state, corporate and county support, we funded child care for over 6,000 children.

In Fairfax County, the majority of children live in families where all adults work. And parents, whatever their incomes, will tell you that finding, keeping and paying for child care is a major worry. The average cost for a preschooler in a child care center is \$6,240 per year. The cost is even higher for infants and toddlers. For most families, this is the biggest monthly expenses, after they pay rent or mortgage.

Our community is typical in that child care involves many players: child care professionals, civic groups, churches, neighborhood organizations, businesses, elected officials and county agencies. I have been asked to tell you how these players work together to create a seamless system of child care subsidies, and to describe the challenges we face in stitching this system together.

Traditionally, federal and state funding for child care has come to the localities targeted for discrete "categories" of people. The categories include welfare mothers in training programs, former AFDC mothers who are now working, very low-income families at risk of being dependent, and families whose income is too low to afford the full cost of child care. Each funding source has its own eligibility rules, its own different time limits for assistance, its own parent payment requirements and, of course, different forms to fill out.

Some federal child care programs are open-ended entitlements, some are federally capped, and some are available only to states or localities that will provide matching funds. These are categories for funding. The problem is, people just don't come in neat categories. A family may move from one category to another very quickly. If moving from one category to another causes a family to lose eligibility for child care, that may, in turn, cause loss of a job. Single parents, especially, are often just one paycheck, or one emergency car repair, away from unemployment. What can be done about this reality—that people frequently move from one category to another?

A seamless system that recognizes that family circumstances change, and which accommodates such change, is the answer. Let me tell you a true story about a mother with two children, who I will call Mrs. Wood. A few years ago, Mrs. Wood's life fell apart. She had no place to live and was accepted into a shelter with her two children, ages four and one. While she searched for work and tried to find a permanent home, Fairfax County provided her with free child care funded by the AFDC child care program. Mrs. Wood successfully completed job skills training and in the spring of 1992 found a clerical position in a local hospital. Her children were cared for by a family child care provider in her neighborhood who had been trained by our agency. Once she was employed, we began funding her children's care through the federal Transitional Child Care program, which gives one year of subsidized care to former AFDC child care recipients. Mrs. Wood began to pay part of the cost of care on a sliding scale based on her income.

Today, in 1995, Mrs. Wood remains employed. Her income has increased slightly each year, and she now pays 10% of her income for child care. Because of our policies of continuity of care and continuity of funding for eligible families, her children have remained with the same provider. The Woods' family life is stable. The older child now attends day care only before and after school, while the younger child remains in fully care.

Contrast this with what could have happened in 1993 when Mrs. Wood's one-year entitlement to transitional child care ran out. Without the flexibility available through the county, she would have faced impossible choices—to pay the full cost of child care, which would have amounted to two-thirds of her income, or to go back on welfare. These are two distressing choices. We were able to Mrs. Wood, and other parents like her, because of the seamless system we've developed. I am going to tell you about the goals of our system, and then about its essential elements.

GOALS OF OUR SYSTEM

Our purpose in creating this system was to provide high quality child care to eligible families. We wanted to build a system that could provide: Continuity of Care and Funding; Continuity of Support for the Provider Community; and Child Care Choices for Parents.

Continuity of Care and Funding

Because of our seamless system, a child can remain in the same child care setting even as family circumstances change. Whether a family's income goes down in bad

times or increases in better times, their children remain in the same place, unaffected by artificial changes in "category." We bill the appropriate funding categories and take care of all the paperwork. We meet all the rules, regulations and administrative requirements. For families, the tapestry is smooth, while behind the scenes we are tying the knots, keeping the funding straight, maintaining an audit trail, and satisfying all federal, state and local requirements.

Providers of child care are an often neglected piece of the child care system. They are expected to add and drop children according to circumstances completely beyond their control. While their reimbursements for children in different, ever-changing categories may rise and fall, they have ongoing expenses (such as staff salaries and food bills) to meet. In order to work toward a system of seamless care, the needs of providers must not be ignored.

Child Care Choices for Parents

We are constantly admonishing parents to choose wisely, to make good child care choices for their children. Then the regulations tied to different funding streams restrict the choices that parents can make. They type of care parents want for their children should not be limited by categorical funding. Parent choices are limited enough as it is, by availability, by transportation and geography, and by cost. To further narrow those choices based on membership in some artificial category harms both parents and children.

ELEMENTS OF A SEAMLESS SYSTEM

In order to accomplish our three goals relating to continuity and choice, we found that our system had to have the following elements: local flexible child care funding to fill in the gaps; a steady number of quality child care slots; payments to providers that reflect market rates; and a useful sliding fee scale.

Flexible Local Funding

When rules and regulations would otherwise disrupt the continuity of care, it is the local, flexible funds which provide the "glue" which holds together the seams of our system. We have been fortunate in that our county has provided subsidy money for low-income working families that allows us to bridge the gaps between funding streams. Families don't "fall off" the program and have to dis-enroll their children from child care because of funding category restrictions. Current federal programs do not allow for the ease of movement required to meet the real-life circumstances of real families, like Mrs. Wood's. These programs were established for a particular "type or group" of families. In reality, these families are very much alike. We do now want to pit the child care needs of working, poor families against the needs of former AFDC recipients who are just getting on their feet. Focal dollars allow us to avoid this artificial distinction.

A Steady Supply of Quality Child Care Slots

We have developed a pool of qualified providers, in centers and in private homes, to provide care. We currently contract with 696 family day care homes, which is approximately one-third of all the legally operating homes in Fairfax County. We also contract with 164 child care centers, about half of all the centers in the county. Twice in the last few years major corporations—IBM and Mobil—have funded successful campaigns to recruit more family child care providers. Each campaign netted us 1,000 additional providers to add to the pool of child care available to families in the county.

Market Rates

A few years ago, when we paid child care providers significantly less than market rates, it was very difficult to involve quality centers and homes in subsidized child care. In addition, providers then might not have accepted certain "categories" of children because the funding was not assured over time. Now that continuity of care and funding is assured, and payment rates to providers reflect the true cost of providing child care, parents can choose from any legally operating program. Low-income families, like all families, can now select the child care that best meets their children's needs. The concept of "market rate" is very important to the goal of assuring that centers and homes can afford to provide quality services for children whose care is subsidized. It is unfair to ask private programs, either profit or not-for-profit, to shoulder the additional burden when public subsidies do not cover the cost of care.

Sliding Fees

We have developed a sliding fee schedule based on family size and income. Since our goal is to help families become self-sufficient, child care costs must be realistic

and affordable. When a family's income rises, we adjust their fees upward. When a family's income declines, we lower fees. If families are forced to pay too high a percentage of their income for child care, they will be unable to maintain their housing, feed their children, provide transportation and manage the other necessities of life. If the percentage they pay for child care does not rise with their income, families will not be prepared to cover the entire cost of care once they are no longer eligible for subsidies. In our program, parents pay from 1.5% to 14.5% of their gross annual income for child care. The majority of parents pay 7%. Parent fees are based on the same sliding scale regardless of funding source.

SUMMARY

I have described our system, which is as seamless as we know how to make it. You can see that the work of changing eligibility categories, paying providers, establishing rates and all the other necessary tasks are done by staff of a county agency. We do not expect families to know or care about the various bureaucratic policies and regulations that their changing circumstances require us to accommodate. Families do not need to know whether they benefit from AFDC Child Care, Transitional Child Care, the Child Care Block Grant or any of a number of other funding streams. They only need to know that they have been declared eligible, and that until they exceed the highest income-eligibility limits, they are guaranteed that their children can be cared for in a setting of their choosing. This knowledge brings security, peace of mind and stability to struggling parents. This stability is absolutely essential for parents to be able to work to support their families and to achieve eventual self-sufficiency.

I must note that this parental peace of mind depends on, among other things, computer technology. Information technology is vital to account for funding, calculate payments to childcare vendors, and assess family fees in support of our seamless system.

Up to this point I have discussed policy and funding issues that create a seamless system of child care support. But funding is only a part of the child care issue. Families depend not just on child care, but on quality, caring, nourishing, early childhood experiences for their children. In order to have continuity of care, and good choices for parents, our agency works hard to provide training, so that early childhood professionals can do a better job. So that the supply of child care is sufficient to allow parents choices, our agency also works hard on recruiting. We use every available means of support from local organizations, including the business community, to support and advance the status and quality of early childhood programs. Subsidy dollars are only part of what is necessary to serve families in a socially responsible way; we must also emphasize these other components of child care—recruiting, training, permitting, monitoring and otherwise upgrading the standards of care in our community.

PREPARED STATEMENT OF SANDRA L. HOFFERTH

Current Usage of Child Care in the U.S.

When we refer to child care, most of us think about the arrangements mothers use when they are at work. In 1994, 62 percent of married mothers with a preschool child were in the work force, compared with 30 percent in 1970 (U.S. Bureau of the Census, 1994; U.S. Department of Labor, 1995). Since employed mothers are more likely to use some form of nonparental arrangement than nonemployed mothers, the increased employment of mothers outside the home has sharply raised the use of nonparental child care over the past several decades. Today, the majority of parents with preschool children depend on substitute caregivers to supplement their own time spent with their children (Hofferth et. al, 1991; Casper et al., 1994).

If welfare reform succeeds in reducing cash payments to mothers, then the number who are in the labor force is likely to rise, increasing the use of nonparental child care arrangements. However, even if some of these parents manage to obtain steady employment, they may still be poor or not far from it. Yet, at that point they will no longer be eligible for many of the subsidized services they had been receiving. Many may find themselves very little better off or even worse off than they were before, considering the additional services they had received. It is realistic to expect that an expansion of services to support employment will be needed.

In 1990 there were about 18.6 million preschool children 0-4 in the United States, 9.3 million with employed mothers. At the same time centers had the capacity to serve only 4 to 5 million children, about 20-25 percent of children under age 5 (Hofferth et al., 1991; Willer et al., 1991). Among older preschoolers, about 41 percent of 3 year-olds, 61 percent of 4-year olds, and 90 percent of 5-year-olds were enrolled in center-based programs before entering school at age 6. Among infants and toddlers, enrollments are much lower, with 10 percent of infants and about 20 percent of toddlers enrolled in a center-based program. Fewer than 20 percent of children are cared for in family day care homes (Willer et al., 1991). In 1990 there were estimated to be between 668,000 and 1.2 million family child care providers. Regulated providers, 10-18 percent of the total, cared for about 700,000 children. Thus 50 to 60 percent of the preschool children of employed mothers can be cared for in centers or licensed family day care homes. The remainder are cared for by nonregulated family day care providers, sitters, relatives, and by their father or mother while she is working.

The types of arrangements employed mothers use have changed over the past several decades, with more children in centers and family day care, and fewer cared for by relatives. In 1990, 48 percent of the preschool children of employed mothers were cared for in a center or family day care as their primary child care arrangement, compared with 22 percent 25 years earlier (Figure 1). Growth occurred in center care, which increased four-fold, from 6 to 28 percent, rather than in family day care, which was about the same level in 1990 as in 1965. The use of relatives declined from 33 percent in 1965 to 19 percent in 1990, and the use of sitter care declined from 15 to 3 percent.

In addition to a shift toward center-based care, children are in formal care at younger and younger ages. Table 1 shows that not only has there been a doubling in the proportion of 3-4 year olds in center-based programs since the late 1970s, but the same type of increase has affected toddlers 1-2 years of age and infants under age 1. In 1990, 14 percent of infants, 23 percent of toddlers, and 43 percent of older preschool children with an employed mother were enrolled in a center-based program as their primary arrangement.

The situation in the United States is unique. In the United States, 44 percent of mothers are back to work by 6 months after the child's birth (O'Connell, 1990). Though labor force participation in developed countries such as Sweden are very high, few mothers with infants are actually working. Thus few developed countries face the same issue of care for infants that we face (Hofferth and Deich, 1994).

Maternal employment is a key factor in the need for and use of formal child care programs, but it cannot explain the entire shift toward the use of formal programs. Over the same period, interest in preschool programs for children's development and enrichment rose. More and more mothers who were not employed outside the home began to utilize primarily part-day preschool programs for their children. Fifty-three percent of 4-year-old children were enrolled in a preprimary program (including kindergarten) in 1991 compared with 28 percent in 1965 (U.S. Bureau of the Census, 1993, table 236). Among older preschoolers, the enrollments of children of employed and nonemployed mothers began to converge. In 1991, for example, 50 percent of 3-5-year-old children of mothers not in the work force were enrolled in a nursery school, compared with 60 percent of children of mothers in the labor force (U.S. Bureau of the Census, 1993, table 237).

Patterns of Child Care Use by Income

The national distribution of the 16.2 million families with children under age 6 in six income/employment subgroups is shown in Figure 2. Families are grouped based upon the income and employment status of parents. In 1990 of American families with children under age 6 in 1990, 7 percent were what we call "working poor" families (annual incomes under the poverty level and at least one employed parent); another 7 percent were non-working poor (annual incomes under the poverty level and no employed parent); 22 percent were working

class" families (annual incomes above poverty but below \$25,000 and at least one employed parent); and 61 percent were middle-class families (annual incomes \$25,000 or higher). An annual income of \$25,000 represented about 75 percent of the median income of families in the United States in 1989, the year in which much of the data presented was collected, and, therefore, the limit of eligibility for the newly passed Child Care and Development Block Grant. One percent of American families with children under age 6 had no parents, and another 2 percent consisted of families with incomes under \$25,000 but above the poverty line. Since there were too few of either group for analysis, they are not considered here.

Are there substantial differences by income in the types of child care arrangements parents use for their children? Table 2 shows the distribution of child care arrangements for children who are in nonworking-poor, working-poor, working-class, and middle-class families. There are clear income differences in child care use, with higher proportions of children of middle-income than working-class or poor families in centers and sitter care.

However, income is not the only factor. Even though they are both poor, it is clear that there are substantial differences in child care use between the working poor and the nonworking poor. In particular, the 0-2 year old children of the working poor are much less likely to be enrolled in centers than comparable children of the nonworking poor. The 0-2 year old children of the working poor are more likely to be cared for by relatives than the nonworking poor and the 3-5 year old children of the working poor are more likely to be in family day care than the nonworking poor.

What are the reasons for the differences in use among these different groups? First, they may be due to differences in availability or to differences in schedules of the working poor and nonworking poor. Second, they could be due to differences in prices due to differences in subsidies. Third, they could be due to differences in preferences. Fourth, they could be due to differences in quality. What do we know about how these factors constrain parental choices?

Availability

Actual Supply of Programs.

Availability as measured by spaces has increased greatly over the past two decades. In early 1990, there were three times as many centers as there were in the mid-1970s and four times as many children were enrolled in such programs. Enrollment in regulated family

day care also increased by 53 percent over the same period (Willer et al, 1991). Some studies have found geographic differences in the number of programs and/or spaces by income level of the community and others have found none (Fronstin and Wissoker, 1994).

The actual number of centers and family day care homes per capita is linked to employment of parents in better-off areas. The number of Head Start programs is associated with parental employment in low income areas (Fronstin and Wissoker, 1995). Specifically, the greater the number of programs, the greater the likelihood that a child will be enrolled.

Perceived Availability.

The National Child Care Survey asked parents who were not using a type of arrangement both whether it was available to them and, if available, how far away it was located. In 1990, three-quarters of parents reported that they lived within 30 minutes of a child care center, almost 60 percent lived that close to a family day care home, and half lived that close to a relative who could provide care. Do low-income parents have the same perceived geographic access to preschool programs as high income parents? The answer is probably yes. While nonworking-poor parents were more likely than other parents to say that they knew of, working-poor parents were least likely to say a relative was available (Figure 3). Regarding access to center care, poor, and working class families reported about the same availability, with middle class families reporting the most.

Age Differences.

Even though there are few overall differences by income, there are differences by age of the child, with fewer centers accepting infants, and fewer vacancies available for them. As a result, parents who want a center-based program for an infant may have a difficult time finding a space (Willer et al., 1991).

Schedules.

Income/employment groups differ in schedules. Non-employed parent families are unconstrained by work schedules. While there are no income differences in evening work, with, 8-9 percent of mothers working during the evening or night, availability of care is

limited. Thirteen percent of regulated and 20 percent of nonregulated family day care providers provided care in the evenings, compared to only 3 percent of centers. There are income differences in weekend work and availability of care at that time. One-third of the working poor and one-quarter of working class mothers work weekends. Only 10 percent of centers and 6 percent of family day care homes reported providing care on weekends. Finally, almost half of working poor parents worked on a rotating or changing schedule, compared with one-quarter of working middle class mothers and one-third of working and middle class fathers. This presents a greater obstacle to the stability of care than either a regular weekend or evening schedule.

Cost

The price of care is critical. In 1990, only 8 percent of nonworking poor families, compared with 27 percent of working poor, 32 percent of working class and 43 percent of middle class households paid for child care (Figure 4). Working poor families who paid for care spent a large proportion of their incomes on it - 33 percent, compared with 13 percent for working class, and 6 percent for middle class families (Figure 5). In 1990, employed mothers who paid for care paid, on average, \$1.67 per hour for center care, \$1.35 per hour for family day care, \$2.30 per hour for sitter care, and \$1.11 per hour for relative care of a preschool child.

Several researchers have documented a relationship between the cost of child care and maternal employment (Connelly, 1992; Kimmel, 1992), with less use of higher priced care. Blau and Robins (1989) found that higher-cost child care was associated with a lower probability of starting and a higher probability of exiting employment, among mothers of all income levels. The cost of care is also important to maternal child care decisions. Several studies have documented that, controlling for indicators of quality and other factors, the higher the price, the less likely families are to use a type of care (Hofferth and Wissoker, 1992).

While nonparental child care is generally necessary for mothers to work, it may be an even more critical factor for low income mothers, who are likely to be raising children alone

(Chilman, 1991). Fronstin and Wissoker (1994) and the GAO (1994) found a stronger effect of child care cost on the work decisions of low-income compared with high-income mothers. The latter found that subsidizing child care costs completely would lead to a 15-percentage point increase in employment of poor mothers, from 29 to 44 percent. We do not to date have direct information on whether a particular employed mother who has problems with child care is likely to enter or exit work. A study of the Illinois Aid to Families with Dependent Children (AFDC) population estimated that problems with child care caused 20 percent of AFDC mothers to quit school or a training program in the last 12 months; another 20 percent were estimated to have returned to public assistance because of child care problems (Siegel and Loman, 1991).

Receipt of Subsidies

Financial assistance is critical. In 1990, 37 percent of nonworking poor and 18 percent of working poor families with a child in child care reported receiving financial assistance (Figure 6). 12 percent of working class and 3 percent of middle-class families with a child in child care received direct assistance. Percentages are higher for those using center-based care: 89, 42, 24 and 5 percent for nonworking poor, working poor, working class and middle class families respectively.

The type of care parents select is closely related to the amount and form of the subsidy they receive. One study found that those using vouchers were more likely to select a formal center-based arrangement than those who paid out-of-pocket and were later reimbursed for their expenses (Siegel and Loman, 1991). The type of care appears to be important to employment in several ways. Although type is not necessarily related to quality, in that there are high and low quality examples of each type of care, it is related to cost, with centers and family day care homes being more expensive than relatives, and licensed care more expensive than nonlicensed care. Receiving subsidies for care reduces its cost; therefore, it is important to consider whether parents receive assistance in paying for care.

In contrast, only 12 percent of working poor, 24 percent of working class, and 34 percent of middle class families claimed the Child and dependent care tax credit (Figure 7). When we add the subsidies received through the tax system we find that working poor

families are the least likely to receive subsidies (30 percent, compared with 36-37 percent of nonworking poor, working class, and middle class families). This is because they are less likely to be eligible for subsidies for low income families and less likely than middle income families to take a tax credit.

The Role of the Federal Government in Cost of Care.

Supporting Families with Children

Income Tax Exemption. Prior to 1980s, the major provision for assisting families with the costs of rearing children was the individual exemption in the federal income tax code (Table 3). In 1991 the exemption was \$2150 per family member. Because adjustments have not kept pace with inflation, its value has eroded to about one-quarter its original value (National Commission on Children, 1991).

EITC. In order to increase the payoff to low income families from working, the Earned Income Tax Credit (EITC) was introduced in 1975. Households with low incomes (below about \$20,000 annually), at least one dependent child, and at least one working member are eligible for the EITC. Since it is refundable, a family can receive a payment even if the credit exceeds the amount of tax due or if no tax is owed. The 1990 child care legislation increased the basic EITC and adjusted it for family size, with additional increases through 1994 and 1995. The value of the EITC constitutes about one-fifth to one-quarter of family income for families earning \$11,000 per year (U.S. Congress, 1993).

Head Start. Though Head Start was designed as a preschool educational program, not a family support program, it provides social services to many low-income children and their families. Under Title I of the Augustus F. Hawkins Human Services Reauthorization Act of 1990 (P.L. 101-501), the Head Start Program was reauthorized with a large increase in funding. The intent of increasing funds for the Head Start program was to provide coverage for all eligible 3-5 year old children, children whose family income are below the poverty level. However, the actual number of children served will depend upon the level and intensity of services provided. Head Start programs, which typically operate part-day for part of the year, were not designed to provide child care for the children of employed mothers. When allocating the new Head Start funding, policymakers are faced with the trade-off between using the new money to serve more children or to provide more services (U.S. Advisory Committee on Head Start Quality and Expansion, 1993).

Supporting Maternal Employment

Until October 1990, the most extensive program for assisting families with child care was the federal Child and Dependent Care Tax Credit, which reimburses one-working-parent or two-working-parent families for 20-30 percent of their child care expenses (up to \$2400 for one child and \$4800 for two or more children), but is not refundable. Due to the liberalization and simplification of its provisions, its use increased from 1977 to 1988 (Robins, 1988). In 1988, it was estimated that 54 percent (\$3.8 billion) of all federal funds for child care (\$7 billion) was spent in the form of tax credits. Beginning in tax year 1989, parents were required to provide the social security number of their provider and could claim either the tax credit or an employer-provided flexible spending account, but not both. These changes reduced the number of parents claiming the credit (Crenshaw, 1991).

The Child Care and Development Block Grant of 1990 (CCDBG). In 1990, \$750 million in annual funding became available to states through new legislation entitled the Child Care and Development Block Grant. The bill stipulates that seventy-five percent of the funds must be used to provide child care services to eligible children on a sliding scale fee and for activities designed to improve the availability and quality of care (U.S. Congress, 1990). For a child to qualify, he/she must be under 13, in a family whose income does not exceed 75 percent of the state median income, and have parents who are working or attending a job training or educational program. States must give priority to children in families with the lowest incomes or with special needs. The remaining 25 percent of the block grant funds are to be spent for quality improvement activities (5-6 percent), and to establish, expand, or conduct early childhood education and/or before-after school programs (19-20 percent).

"At-Risk" Child Care Program. The "At-Risk" Child Care Program gives states additional funding to provide child care assistance to "low income, non-AFDC families that the state determines (1) need such care in order to work; and (2) would otherwise be at risk of becoming dependent upon AFDC", by expanding the Title IV-A child care assistance authorized under the Job Opportunities and Basic Skills (JOBS) program of the Family Support Act (U.S. Congress, 1990). Funding of \$480 million was provided in FY93. Unlike the Child Care and Development Block Grant, this program requires a state match which ranges from 20 to 50 percent depending on the particular state.

Employer Policies. In the United States, benefits that would help parents manage work and family responsibilities are offered at the discretion of employers. A variety of policies such as flexible spending accounts, cafeteria benefit plans, vouchers, information and referral services, unpaid leave, work at home, part-time work, and flextime, as well as on-site child care, are offered by some employers. In 1990 about half of U.S. families with children under age 13 reported that they had at least one benefit available to assist them in balancing work and family life (Hofferth et al. 1991). The most common benefit was part-time work; 36 percent of families reported that part-time work was available through an employer. Unpaid leave and flextime were reported by 28 percent and 21 percent, respectively. About 10 percent reported a child care center at one parent's work site.

Parental Leave. Parental leave can be considered child care legislation since it provides an option for parents to care for children themselves while keeping their jobs and health benefits. In the most generous cases it includes partial income replacement. Between 1986 and 1990, twenty-three states had passed laws mandating maternity/parental leave (Finn-Stevenson and Trzcinski, 1990). Although one-third of employers with 100 or more employees offered unpaid maternity leave in 1989, only about 2 percent offered paid maternity leave (U.S. Bureau of Labor Statistics, 1989). In 1993 parental leave became a nationwide benefit. The Family and Medical Leave Act, which mandates unpaid parental leave of employers of 50 or more employees in all states, passed both houses of Congress and was signed by President Clinton in February 1993 as one of his first acts after taking office. This legislation requires that employers offer a job-protected but unpaid leave of 12 weeks to care for a newborn or ill child.

Increasing Parental Choice

Many of the programs discussed above were designed to increase or maximize parental choice in child care arrangements. Parental leave allows parents of very young children to choose between work or caring for the children themselves. The tax credits cover all types of care, as does the Child Care and Development Block Grant. Specifically, the CCDBG requires states to offer parents an option of either enrolling their child with a provider who has a grant

or contract to provide services, or to receive a child care certificate to be used as payment by the parent for child care services for any eligible provider of their choice. Eligible providers include center-based, group home or family day care providers that are licensed, regulated or registered according to state law. Family members, such as grandparents, who provide care are also eligible. Allowing providers related to the child to be subsidized expands parents' choices.

The Quality of Care

If the use of center-based programs increases but the quality of the programs is poor, then children and their families will suffer. While quality generally reflects the nature of the interactions between child and provider, it is usually measured in terms of child/staff ratios, training, group size, and staff turnover. A lower ratio of children to staff, smaller group sizes, higher education and training of staff, and lower turnover promote children's optimal development. The extent of health and development screening and referral is also important (Hofferth, 1994). Recent research has shown that parents with poor quality care are more likely to leave their jobs than parents with good quality care (Meyers, 1993). Research suggests that, since the mid 1970s, the education of center staff has increased; however, the ratio of children to staff and staff turnover have risen over the past decade, a consequence of increased competition, lower staff salaries, and declining direct federal support (Willer et al., 1991). Most federal funds go directly to parents who purchase care themselves. However, these funds have not brought about improved quality; rather they have substituted for reduced federal support. Consequently, many believe that direct investment in programs is the only way that quality can be improved. Parents simply will not spend more money, even though they get some of it back at the end of the year. An alternative approach is to help parents become better consumers, by teaching them what to look for in a high quality program.

Do low income parents have access to the same quality of care? What is the role of subsidies? While the question of differential quality has not been resolved, the evidence to date suggests that on structural features, the lowest and highest income families have the highest quality care, with working- and middle-class children in somewhat lower quality care (Hofferth et al., 1994; Whitebook et al., 1993). With respect to the interaction between provider and child, high income children are better off (Head Start not included).

The stability of child care, that is, a greater number of arrangements in a period of time,

is considered to be an important factor affecting child development. It is also likely to be strongly related to employment stability. In work by Myers (1994), parents who had to give up their child care arrangements when they changed activities in California's GAIN program were more likely to drop out of the program than those who did not have this discontinuity in child care. Informal arrangements tend to be much less stable than formal arrangements. Parents report a greater incidence of losing time from work because the provider was not available in-home than formal out-of-home arrangements (Hofferth et al., 1991). Research also shows that those parents with informal arrangements were more likely to report that child care problems prevented work than those with formal center-based arrangements (Siegel and Loman, 1991).

Role of the Federal Government in Quality.

Providing direct funding is one role the federal government can play. This includes direct subsidies for program startup and subsidies for services such as food under the child and adult care food program. Head Start programs are fully federally funded. There is substantial evidence that Head Start programs deliver high quality care.

Substantial funds to improve program quality are made available in the Child Care and Development Block Grant. In addition, the new Child Care Licensing and Improvement Grants are specifically designed to improve licensing and registration of providers and to monitor child care provided to AFDC recipients. In addition, funding is provided for training providers and increasing staff salaries, two other factors associated with the quality of care (Phillips, 1987).

While the United States has mostly chosen to go with cash subsidies and vouchers, other countries have made different decisions. Several nations have developed a system of maternal care through maternity and parental leave during much of the first year of the child's life, transitional informal arrangements during the second and third year, and universal state-funded preschool programs for 3 year olds up to kindergarten entrance.

A recent study of cost quality and outcomes in child care centers found evidence that federal and employer subsidies have made a difference in the quality of child care centers (not including Head Start) as well. Publicly operated centers, worksite centers and centers that conform to higher standards in order to receive public funding provide higher quality care than

other centers. They have higher expended costs and total revenue per child hour, more donated resources, are less dependent on parent fees, pay higher wages, and provide more staff benefits, have higher staff-to-child ratios, and teachers have more education, more training, and longer tenure in the centers. For a particular level of quality, wage rates, full-time equivalent children, and size of facility, the cost per child-hour is the same as at other centers (Helburn et al., 1995).

A second way the federal government can insure quality is through the regulation of health and safety conditions. A recent five-state study found that care in states with more stringent regulations was, indeed, of higher quality (Helburn et al., 1995). Recent research in 37 states found evidence that inspections to enforce compliance with regulations are as important as levels of regulations themselves (Hofferth et al., 1994). Generally, stricter regulations are associated with increased price and reduced availability to consumers. Our research, however, found that frequent inspections were not associated with increased price and that, rather than reducing use, they increased it. One explanation is that more frequent inspections provide information to consumers about unmeasured aspects of quality. Parents say that they are very concerned about the quality of child care. Therefore, any information that increases their confidence about the quality of care available may increase use. One reason why regulations per se are not associated with improved structural aspects of quality is that states with stringent regulations may not enforce them. This study found, in fact, a negative relationship between the stringency of the regulation and enforcement of it (Hofferth et al., 1994).

Finally, the third way is indirect. By providing funding for some types of programs and not others, nonregulated family day care programs have an incentive to become licensed. For example, the child care food program is a significant source of assistance for regulated family day care homes and serves as an incentive to bringing nonregulated homes into the regulated market (Hofferth and Kisker, 1991).

Preferences.

Another question is whether the reason the working poor are not using centers is simply that they do not want them. There is little evidence for differential preferences by income. There is no variation in desire to change arrangement by income, though there is by family structure, with single employed mothers being the most wanting to change.

There has been some concern that public subsidy programs force low-income families into using center-based programs against their will. It has been argued that, while many want to use centers part-day, those who really have a choice do not want centers (or any other arrangement) on a full-time basis. Thus a test of preferences is whether families without an income constraint are more or less likely to use centers full-time. We found the use of full-time centers to be higher among middle- and upper income than among lower income families. This suggests that those using centers are not doing so because they have no other option; rather it is their preference. Other research shows that low income parents are particularly concerned about the children's safety and see centers as being safer than home-based settings.

How Parents Actually Make their Child Care Decisions

While the public funds can help raise the quantity and reduce the price of child care, how can they best improve quality? There is some evidence that simply providing additional funds to parents to purchase care will not lead to greatly increased quality. Parents do not necessarily want those aspects of quality that are easily monitored and regulated. Parents emphasize quality and downplay the importance of price and convenience in making their child care decisions. In contrast, in recent research based upon the National Child Care Survey 1990, we found strong evidence for the effects of price and convenience,¹ whereas we found only weak and inconsistent evidence for the effects of structural characteristics of programs such as child/staff ratio or group size. Parents tended to select center-based programs with larger rather than smaller child/staff ratios. Teacher training and group size did not seem to matter. In family day care homes, parents were less likely to pick programs with a trained teacher. Provider training in home care situations may not affect choice as anticipated because parents do not believe that formal training is an important aspect of a home-based program, as discussed above.

¹ Convenience plays a significant role in parents' child care decisions. The farther parents live from a type of care, the less likely they are to use that type of arrangement. Bringing a child care center within 30 minutes of everyone's home could increase the use of centers by 25 percent among employed mothers (table 3). Doing the same with family day care could increase its use by 51 percent.

The lower the price of a type of care, the more likely a parent is to choose it. For example, we estimate that lowering the price of center care by 10 percent increases the use of center care by 3 percent and reduces the use of home-based care by 3 percent (table 3). Lowering the price of home care would reduce the use of relative care by 4 percent.

However, other research suggests that training not only is critical for the quality of care children receive, but also is relatively inexpensive. Working with parents to create and make recognizable good quality care is a critical objective.

Predicting the Future

Several major policy changes have occurred since the National Child Care Survey was conducted in early 1990: (1) implementation of JOBS under the Family Support Act of 1988, (2) increased funding for child care programs due to the passage of comprehensive child care legislation (the Child Care and Development Block Grant or CCDBG) in 1990, and (3) increased funding for Head Start (Hofferth, 1993). All three factors affect both the need for early childhood programs and access to such programs. If we had comparable 1995 data, would we note any differences? And what do we expect for the future as these policies are implemented more fully?

What might be different at the beginning of 1995 than was the case in 1990?

First of all, according to recent reports (Children's Defense Fund, 1992; Mitchell et al., 1992) state expenditures for child care for Job Opportunities and Basic Skills (JOBS) participants are much lower than originally expected. In 1991 only about 1-out-of-3 JOBS participants received JOBS child care. There are at least three reasons for this. First, states are simply not using all sources of funding. Since states are required to contribute if they use JOBS child care funds (through a state matching requirement) but not if they use other funds (e.g., the CCDBG), as their own funds for matching become tight, some states are spending non-Jobs sources first. This practice deprives many low income families who are not on AFDC of subsidies for which they are eligible. Second, many clients have not been adequately informed about their new options; consequently, they continue to use the informal arrangements they already have. Third, we know that parental preferences do not change overnight. Even if new options are available, changing established child care patterns may take some time (Kisker and Silverberg, 1991).

Implementation of the Transition Child Care (TCC) benefit, which subsidizes child care for the first year after families leave AFDC because of employment, has also been slow. In the 20 states in which an estimate could be made, only 20 percent of those eligible received the benefit in 1991. Implementation of the CCDBG is proceeding equally slowly (Blank, 1991).

Thus we suspect that not much has changed in the use of child care for employment-related purposes.

However, given the large increase in Head Start funding since 1990, it is likely that our estimates of Head Start enrollment would be much higher if obtained in 1995. This would substantially increase the estimated enrollment of 3-5 year old children in preschool programs and the overall use of nonparental child care arrangements.

What changes may occur over the next few years?

Since many states are implementing voucher systems and since the recent legislation requires parental choice, one question is whether parents will continue to utilize center-based programs as they have in the past. Based upon the 25-year trend toward decreased use of relatives and sitters and increased use of centers, and based upon parental preferences, it appears unlikely that there will be any reversal of the trend toward greater use of formal early childhood programs. We foresee continued increases in the use of center-based programs, both among low-income families currently using relatives as JOBS child care and Transition Child Care are implemented, and among working-class families who may eventually benefit from subsidies through the CCDBG. Among those currently receiving subsidies, change is unlikely.

Family day care is also likely to remain at about the same level as it is now. Several major efforts currently underway to improve the quality of family day care may forestall further declines in its use, but these efforts are unlikely to greatly increase its use. Recent studies show that further reducing the price of care to parents -- the goal of public policy -- would increase the use of center-based programs to the detriment of other types of programs (Hofferth and Wissoker, 1992). Quality improvements in family day care have small impacts at best in promoting its use. According to one study, low-income parents overwhelmingly desired center-based programs. They trusted the staff and believed that their children would be safer in day care centers than in private homes like their own, where access is not restricted (Porter, 1991). Centers embodied "notions of expertise about child development" and "institutional trust." This finding suggests that the movement toward center-based programs will not be slowed easily.

Finally, if mothers of children aged 0-2 are required to engage in employment-related activities and use child care, then a major growth in the use of child care is possible. At the

present most of these children are in family day care and relative care when not in the care of a parent (Table 2). Unless there is a major emphasis on family day care in the legislation, it is likely that more of them will be in center-based programs. Such a shift would change the distribution of arrangements we have shown earlier. Since, at present, only a small proportion of centers accept infants and toddlers, requiring parents of 0-2 year olds to work will necessitate additional planning to meet their child care needs.

Conclusion

Child care preferences of low and high income parents are similar. What differs is access, including convenience and the ability to afford the program. While we think that poor families have access to substantial subsidies which help them purchase the child care and preschool programs they want and need, more nonworking than working-poor families appear to benefit from these subsidies.

Thus, one of the reasons we see differences in the use of programs is very likely due to these differences in subsidies. However, it is not just differences in subsidies, but also differences in schedules and the ability of families to take advantage of subsidized programs that fit their needs may make it difficult to obtain their first choice. Many families will not be able to take advantage of programs currently in existence because of scheduling problems.

We provide more direct early education and care assistance to nonworking poor families than to working poor families. This certainly not the way to encourage families to become self-sufficient or to assist their children. As a result, we find preschool children of working poor families less likely to benefit from center-based programs than other children.

It is clear that present policies discourage work, since more early childhood program assistance is provided to the children of nonworking than working parents. The working poor, as a consequence, depend heavily on informal modes of care which are not their first preference and are probably not of the highest quality.

Our research suggests that:

- o public provision of services can raise the quality of children's experiences.

- o actual increases in quality will depend upon either making sure that the services provided match those parents want and need.
- o not all those who are currently eligible benefit from publicly subsidized programs
- o there is a substantial group of parents whose transition to work might be eased and independence stabilized by child care assistance.

Unfortunately, it is expensive to provide these services. Welfare, it turns out really was cheap. Providing a small stipend to a mother costs \$25 million per year, compared with more than \$50 million for child care and related services. Of course, it is not as cheap as simply cutting off support entirely. Federal child care funds have been important in providing a stable and high quality source of early education and care for the low income children fortunate to have qualified. Children in high income families do not need assistance. Children of low income nonemployed parents are eligible for a variety of high quality preschool programs. Many low income employed parents are not benefitting from these same programs. To improve the care of children, more attention will need to be paid to the child care needs of low income employed parents.

Appendix: Data Sources

We use three unique data sets in this study: A Profile of Child Care Settings, the National Child Care Survey 1990, and a Contextual Data file.

The National Child Care Survey 1990

The National Child Care Survey 1990 was a nationally representative survey of families with children under age 13. some 27 million families with some 47.7 million children, fielded from November 1989 through May 1990. Through random digit dial techniques and computer-assisted telephone interviewing methods, approximately 4,400 households in 144 counties representative of the United States were interviewed by phone (Hofferth et al, 1991). The

overall response rate to the survey was 57 percent. A variety of data quality checks indicate close agreement between the results of this survey and other national surveys conducted in-person and by phone with respect to child care arrangements (Hofferth et al, 1991). When the data are weighted the data represent the 1989-90 population of households with children under 13 in the U.S. The objectives of the NCCS were to obtain a comprehensive picture of how families care for their children and to examine how families make their child care choices. The unique aspect of the study is the collection of a detailed schedule of employment of the mother (and her husband, if present) and a detailed schedule of up to four child care arrangements for as many as five of their children during the previous week.

In screening for parents of children under age 13, households that reported caring for children not living there were identified and administered a separate telephone interview about the nature of that care. The questions asked were identical to those asked in the Profile of Child Care Settings Study, described below. This study provides the first national information on the characteristics of nonregulated family day care.

A Profile of Child Care Settings

The objective of A Profile of Child Care Settings (PCS) was to obtain national estimates of the level and characteristics of early childhood programs available in 1989-1990 for young children through telephone interviews with a representative sample of early education and child care providers (Kisker et al., 1991). The sampling frame consisted of all regulated and nonregulated preschool programs and regulated family day care homes. A survey of providers was fielded by Mathematica Policy Research from October 1989 through February 1990. Using computer-assisted telephone interviewing methods, interviews were conducted with 2,089 center directors and 583 family day care providers in the same 144 counties in which the National Child Care Survey was conducted. Weights were computed so that these data represent the population of center-based and regulated home-based programs in the U.S. The response rates for the PCS study were quite high. Interviews were conducted with 89 percent of center programs and 87 percent of home-based providers eligible for the study. The PCS survey obtained detailed information on general administrative characteristics, admission

policies, enrollment size, fees and subsidies, staffing, curriculum and activities, health and safety, and operating experiences and expenses. Both the NCCS and the PCS share the same first-stage sample.

Contextual Data File

Using a variety of sources such as the U.S. Bureau of the Census, the National Center for Health Statistics, and the Bureau of Economic Analysis, data were obtained for 62 contextual variables in each of the 144 counties in the NCCS. In addition, developing the lists of providers in each county from which its sister survey, the Profile of Child Care Settings, obtained its sample required calling officials at the state and the county level. Information was compiled on state regulations regarding staff qualifications, child/staff ratios, and inspections for centers and family day care as well as a number of other characteristics.

Table 1

**Percentage Distribution of Preschool Children With Employed Mothers by
Type of Child Care Arrangement and Age, 1965-1990**

	1965 ^c	1977 ^h	1982 ^a	1984-85 ^c	1987 ^c	1990 ^c	1990 ^c
				<1			
Parent	---	---	25.2	26.3	31.6	37.4	37.7
Relative	---	---	36.8	28.3	22.4	19.3	22.0
In-Home	---	---	7.0	8.5	8.3	5.1	3.4
Family Day Care	---	---	25.1	23.0	23.3	19.6	20.4
Center	---	---	5.8	14.1	14.1	13.9	13.6
				1-2			
Parent	13.9 ^d	13.2 ^d	25.2	24.4	23.4	31.9	28.6
Relative	17.9 ^d	16.1 ^d	30.1	25.9	24.6	20.4	20.5
In-Home	15.0 ^d	7.3 ^d	6.4	5.7	6.6	4.1	3.0
Family Day Care	16.8 ^d	25.9 ^d	26.1	26.8	27.0	20.2	22.6
Center	3.6 ^d	7.8 ^d	12.1	17.2	18.1	20.6	22.7
				3-4			
Parent	15.2 ^e	14.0 ^e	21.8	22.4	22.2	25.1	20.7
Relative	14.8 ^e	13.3 ^e	28.6	21.0	18.6	14.5	16.3
In-Home	15.5 ^e	6.7 ^e	4.5	5.0	5.1	2.9	2.4
Family Day Care	15.2 ^e	19.4 ^e	18.1	17.7	17.2	16.9	16.5
Center	8.3 ^e	18.7 ^e	27.0	32.2	34.3	36.8	42.8

Sources: U.S. Bureau of the Census, 1983, 1987, 1990; Hofferth et al., 1991.

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^aYoungest Child. ^bTwo Youngest <5. ^cAll Children. ^d<3. ^e3-5.

Table 2

Child Care Arrangements for Youngest Preschool Child <6
by Income Group and Age

Center	Relative	Sitter	Family Day Care	Lessons	Other	Total	N
All Children <6							
Nonworking Poor	30	40	3	13	8	6	100
Working Poor	22	43	3	17	1	14	100
Working Class	35	32	5	20	4	4	100
Middle Class	38	24	6	21	8	3	100
Other							44
Total	35	28	6	20	6	5	1688
Children 0-2							
Nonworking Poor	19	44	2	22	5	8	100
Working Poor	5	57	0	23	0	15	100
Working Class	28	38	8	18	2	6	100
Middle Class	25	30	9	27	4	4	100
Other							22
Total	24	35	7	24	3	7	892
Children 3-5							
Nonworking Poor	45	35	4	2	12	3	100
Working Poor	40	28	6	11	2	13	100
Working Class	43	25	2	22	7	1	100
Middle Class	52	16	4	15	12	2	100
Other							21
Total	48	20	4	15	10	2	796

Table 3
Major Federal Programs Supporting Early Education, Child Care, and Related Services

PROGRAM	Estimated Funding (Constant [May 1993] \$ in Millions)									
	FY80	FY88	FY89	FY90	FY91	FY92	FY93	FY94*		
Consumer Price Index	1.75	1.22	1.16	1.10	1.06	1.03	1.00	1.00		
Child and Dependent Care Tax Credit	1673.0	4647.8	2839.8	2817.8	2805.7	2832.6	2860.0	2860.0		
Social Service Block Grant	780.5	804.5	767.5	728.2	698.8	678.3	660.0	660.0		
Head Start	1286.2	1470.0	1436.2	1712.3	2066.7	2263.2	2776.0	4150.0		
Child and Adult Care Food Program	378.0	714.3	751.2	794.4	952.9	1233.4	1273.0	1528.0		
State-Dependent Care Development Grants	--	--	15.1	14.3	13.8	13.4	13.0	13.0		
Child Care Licensing & Improvement Grants	--	--	--	14.3	13.8	0.0	13.0	13.0		
Child Care and Development Block Grants	--	--	--	--	775.0	847.9	893.0	933.0		
At-Risk Child Care Program	--	--	--	--	317.6	308.3	300.0	300.0		
AFDC/Transitional Child Care	--	--	--	44.1	339.9	426.5	480.0	545.0		
Other Child Care-Related Programs	1225.0	914.2	872.2	827.5	794.1	770.8	750.0	750.0		
Total	5342.7	8550.8	6682.0	6952.9	8778.0	9374.5	10018.0	11752.0		
Earned Income Tax Credit	3475.5	7240.5	7669.3	7644.7	9323.2	10991.4	11914.0	11914.0		

*: 1994 figures unadjusted.

Sources: U.S. GAO, 1989b; Committee on Ways and Means, 1992; Executive Office of the President, 1993b.

Figure 1
Primary Care for Youngest Preschool Child,
Employed Mothers, 1965-1990

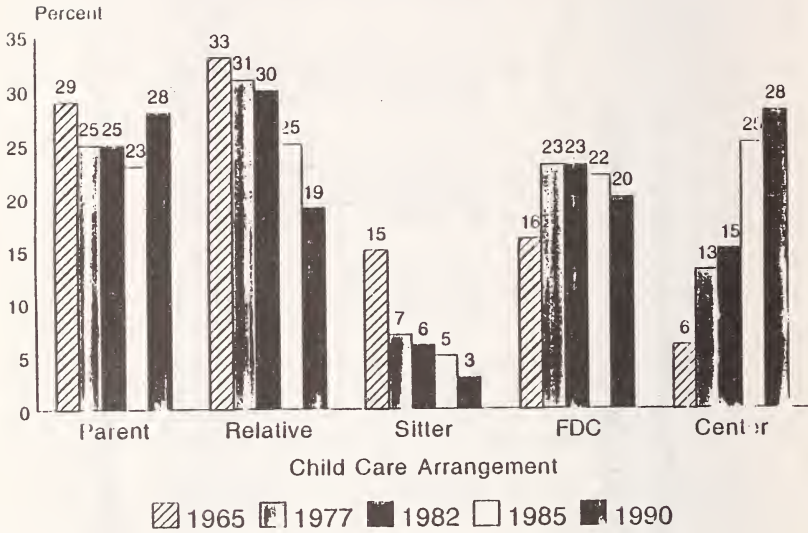


Figure 2

Distribution of Families with Children Under 6 in Six Subgroups

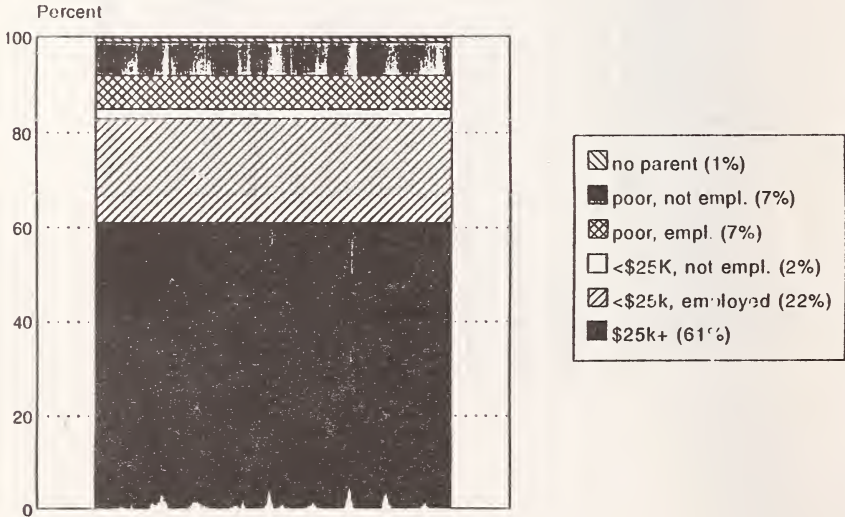


Figure 3

Percentage of Families Perceiving Alternate Types of Care Available, by Income Subgroup

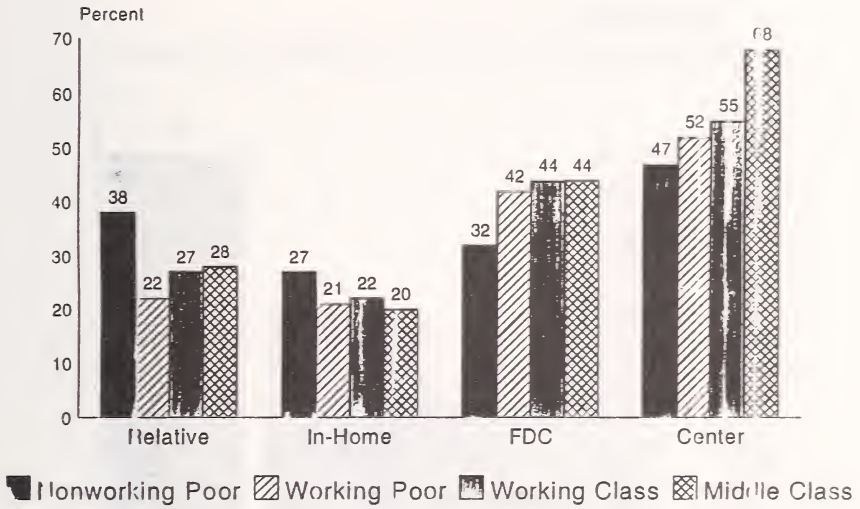


Figure 4
Percentage Paying for Child Care

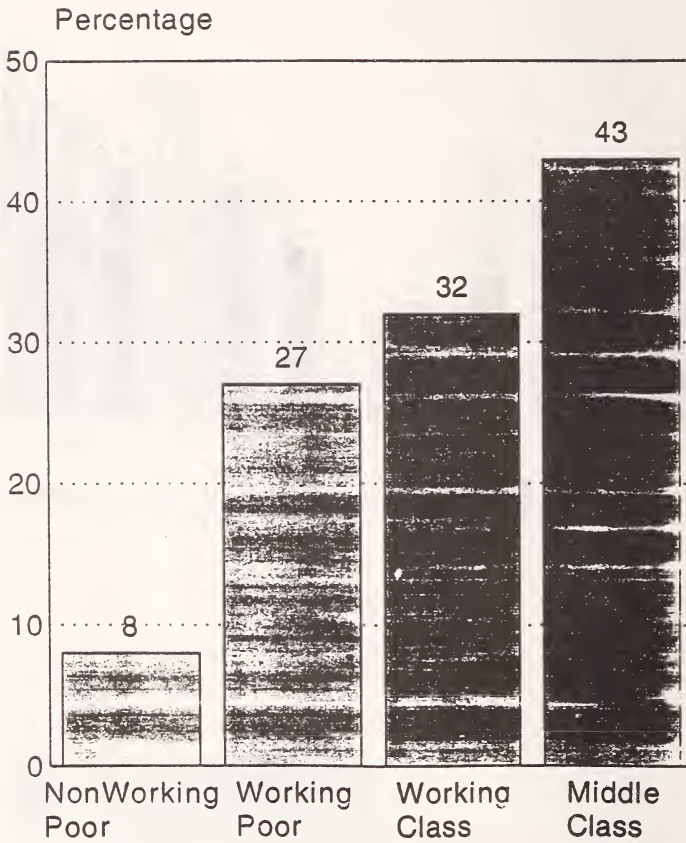


Figure 5

Weekly Expenditures and Percent of Income Spent
on Child Care by Income Group

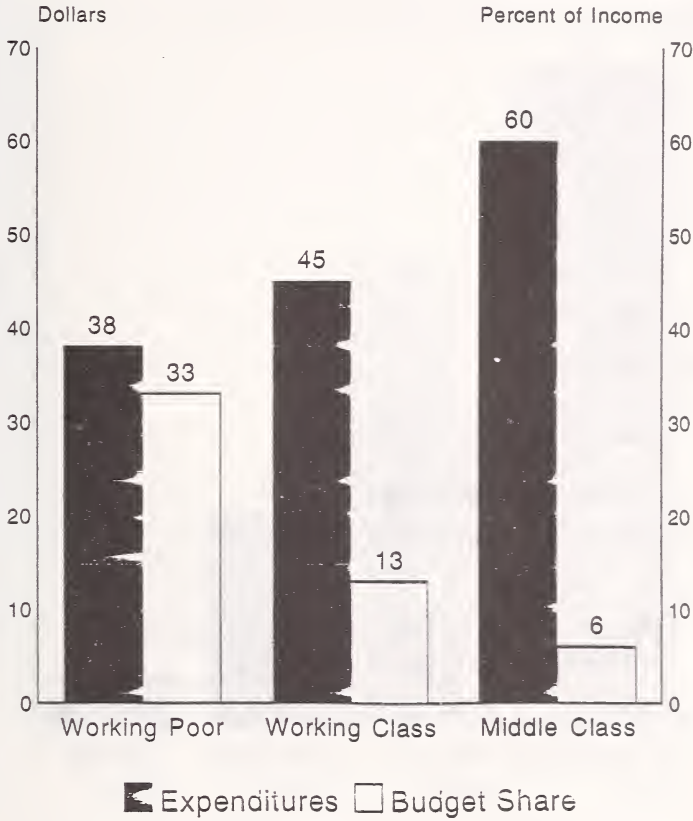


Figure 6
Percentage Receiving Assistance in Paying for Care

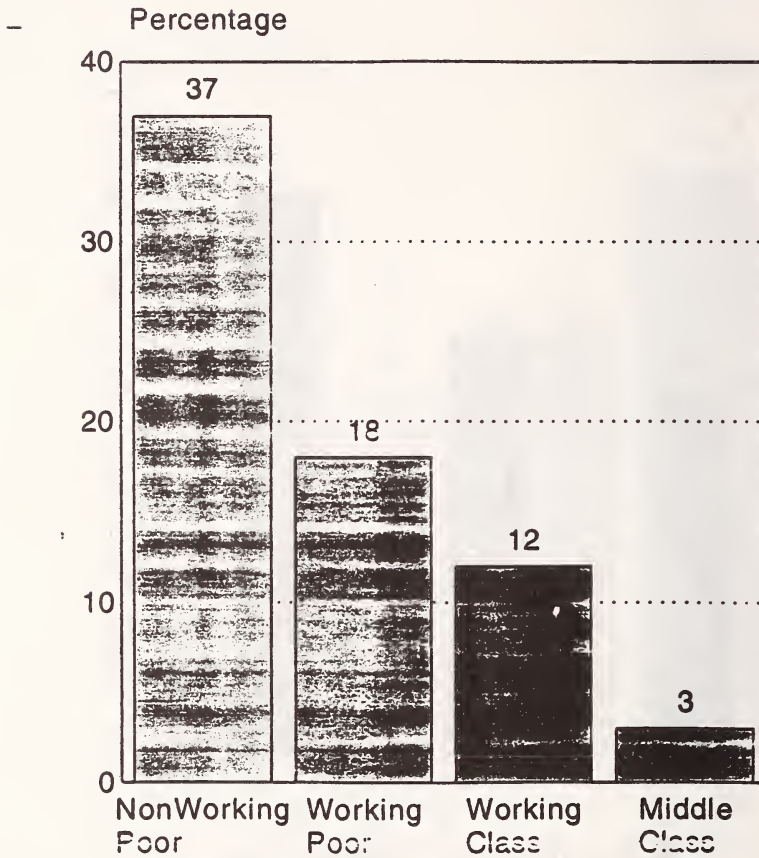
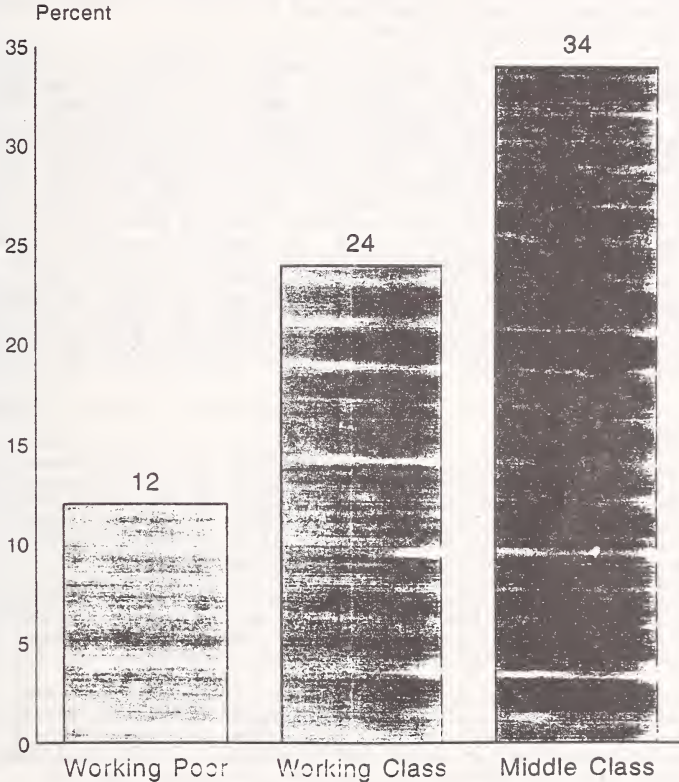


Figure 7
Percentage of Families Who Claimed the Child Care Tax Credit in 1988



PREPARED STATEMENT OF JANE L. ROSS

Madam Chairman and Members of the Committee:

Thank you for inviting me here today to discuss our work on the current child care subsidy system and the possible impacts of welfare reform on that system.

Most mothers need child care while they work, so their decision to work depends, at least partly, on how much money they will have left after they pay for child care. Research shows that poor families who have to pay for child care use up more than a quarter of their monthly income on care. Recognizing the importance of subsidizing child care for poor and near-poor families, the Congress enacted four subsidy programs between 1988 and 1990 to help them become and remain economically independent.

As the Congress considers various proposals to restrict the duration of mothers' stays on welfare, and move more of them into work, questions naturally arise about the capacity of the child

care system. To assess the potential impacts that various welfare reform proposals might have on child care availability and continuity, and on the current subsidy programs, you asked us to discuss the difficulties parents face trying to identify and secure child care while they go to work or school. Today, I will focus on (1) how well the four current subsidy programs are working to support families on their road to self-sufficiency; (2) impediments that local Job Opportunities and Basic Skills (JOBS) training offices and child care offices face in attempting to link JOBS participants' children with available child care; and (3) the implications of our findings for welfare reform and child care program consolidation.

In summary, subsidies can have a dramatic effect on drawing low-income mothers into the work force. Yet the current subsidy programs have problems. The fragmented nature of child care funding streams, with entitlements to some client categories, time limits on others, and activity limits on others, produces unintended gaps in services. These gaps limit the ability of low-income families to achieve self-sufficiency and can harm the continuity of care for their children. These findings suggest certain benefits to be derived from consolidating federal child care funds, as well as some cautions. In addition, we found that states currently have inadequacies in the supply of child care, in particular for infant care, part-time care, children with handicapping conditions, before- and after-school care, and child care during late night shift work. These findings suggest that expanding work requirements as part of welfare reform needs to proceed with an eye toward the capacities of the child care system as well.

BACKGROUND

Among the factors that encourage mothers to keep and seek jobs, our analysis suggests that affordable child care is a decisive one. In a recent report, we concluded that subsidizing child care costs could have a dramatic effect on the employment of low-income mothers.¹ The likelihood of being employed would increase among poor and near-poor mothers in response to an increase in child care subsidies.² According to our model, if you offered a group of 100 poor mothers a 100-percent subsidy for their child care costs, 44 would go to work, as compared with 29 who would have worked without a subsidy. That is a 52-percent increase in the number of poor mothers who would work.

The Congress enacted changes to the welfare system in the 1988 Family Support Act (FSA) to transform Aid to Families with Dependent Children (AFDC) into a transitional program, which included a guarantee for child care subsidies. FSA established the JOBS training program to help welfare recipients get the services they need to get jobs and avoid long-term welfare dependence. Operating through local JOBS offices, states are to provide a broad range of education, training, and employment-related activities and increase the proportion of AFDC recipients participating in these activities.

JOBS accords states substantial flexibility in deciding whether and how participants will be served. Although about \$1 billion in federal funds has been made available for JOBS each year, states must commit their own resources to obtain the federal dollars allocated to them. Recognizing the state financial role in JOBS, FSA generally allows states to operate their programs "as state resources permit." Although JOBS encourages states to meet minimum participation requirements--beginning at 7 percent in 1991 and rising to 20 percent this year--states are not required to serve every eligible AFDC recipient. For example, states are to excuse any AFDC recipient from participation if necessary supportive services such as child care are unavailable.

Because low-income mothers often must pay for all or part of their child care expenses, the cost of child care remains an employment barrier to many of them. Recognizing this need, the

Congress has created four child care programs for low-income families since 1988, and in fiscal year 1994, nearly \$2 billion in federal funds was made available for these programs. First, including child care in FSA, the Congress acknowledged the importance of child care to helping welfare recipients obtain employment, leave welfare, and stay employed. Thus, FSA requires states to guarantee child care to employed recipients of AFDC and participants in JOBS. Second, FSA requires states to guarantee a year of Transitional Child Care (TCC) to AFDC recipients after they leave the welfare rolls as a result of increased earnings from employment.

A third program, the At-Risk Child Care program, was created in 1990 to provide child care subsidies to working poor families not currently receiving AFDC who would be at risk of becoming eligible for AFDC without such subsidies. AFDC Child Care, TCC, and At-Risk Child Care require states to commit their own resources to obtain federal dollars. Finally, the Child Care and Development Block Grant of 1990 was designed to provide direct support to working families with incomes up to 75 percent of a state's median income. This program requires no state matching funds.

In fiscal year 1993, we studied in depth the operation of the four programs in six states--California, Illinois, Massachusetts, Michigan, New York, and Texas.³ In fiscal year 1995, we have been studying the operation of the programs, with a special emphasis on child care for JOBS participants, in selected counties in five states--Florida, Michigan, Minnesota, Ohio, and Washington. (See appendix I for a list of related GAO products.)

CURRENT PROGRAMS CREATE SERVICE GAPS

Although our work has demonstrated that affordable child care is a decisive factor in encouraging low-income mothers to seek and keep jobs, the existing child care subsidy system has problems. We found in our fiscal year 1993 visits to six states that the different requirements of the four federal child care subsidy programs, coupled with resource constraints in the states, produce gaps in the delivery of child care subsidies to the low-income population. Specific service gaps we identified stemmed from program differences in (1) categories of participants who can be served, (2) limits on employment-related activities, (3) limits on income eligibility, and (4) time limits on child care subsidies.

Our fiscal year 1995 visits to selected counties in five states provided additional state and local perspectives on the manner in which child care subsidy programs have been implemented.

Gaps Result From Categorical Eligibility

Despite similarities in characteristics among low-income families, whether on or off welfare, the patchwork of child care funding makes fine distinctions among categories of families. The current system of child care guarantees subsidies to AFDC recipients participating in employment or state-approved education and training activities, as well as to employed former AFDC recipients, but not to working poor families outside the AFDC system. Yet, a welfare recipient's economic status may differ little from a low-income, working, nonwelfare recipient's. In fact, some welfare recipients work but do not earn enough to be ineligible for welfare, and welfare recipients may cycle on and off assistance a number of times before leaving welfare permanently. Consequently, the separate programs may be distinguishing between the same individuals at different points in their journey from welfare to economic self-sufficiency.

Gaps Result From Limits on Employment-Related Activities

Although At-Risk Child Care and TCC statutory language expressly provides for child care subsidies during employment, Department of Health and Human Services (HHS) regulations do not

specifically allow the use of those funds to subsidize child care during a period of job search--when someone has lost a job and is looking for another one. Five of the six states we visited in fiscal year 1993 told us that these program funds cannot be used to subsidize child care during a period of job search, or other break in employment, unless employment is scheduled to begin. Consequently, if an employed mother becomes unemployed while her child care is being subsidized by At-Risk Child Care or TCC funds, the child care subsidy is generally lost as is the continuity of care for these children. Often the children have to be pulled out of care unless the family or another funding source can pay the entire cost of care.

Gaps From Limits on Income Eligibility

Other gaps result from limits on income eligibility. Because the Child Care and Development Block Grant limits eligibility to families with incomes below 75 percent of the state median income, it produces a "cliff" for participants whose income rises even one dollar above this level.⁵ This cliff can produce certain work disincentives. For example, a child care worker in Michigan told us that some participants reduce their hours of work as they approach the cutoff income because they believe they will not be able to pay for child care without the subsidy.

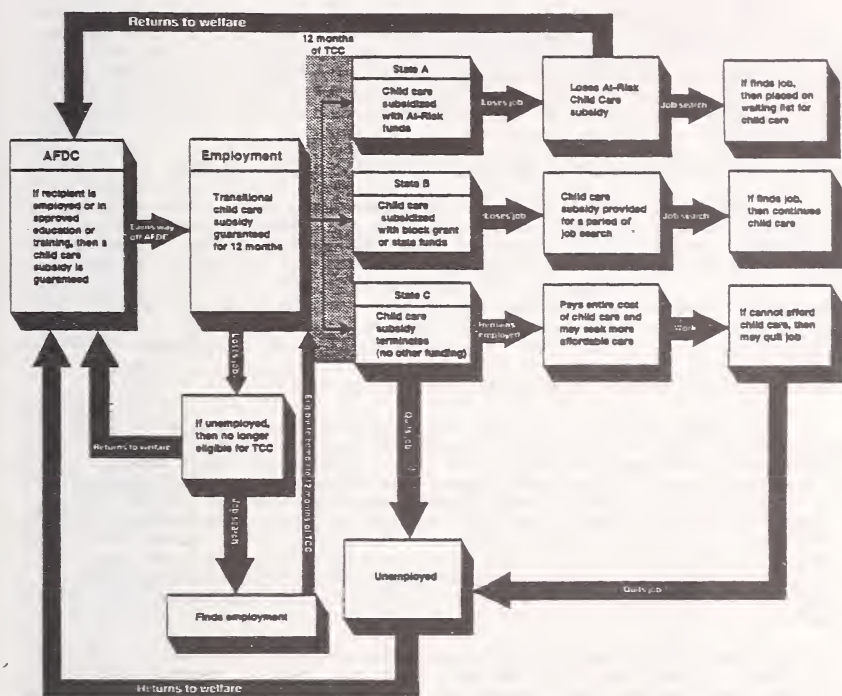
Gaps From Time Limits on Subsidized Child Care

TCC also presents a service delivery dilemma. At the end of the 12 months of entitlement, if a state does not have any Block Grant, At-Risk Child Care, or other funds to continue the subsidy to a client, the client must pay the entire cost of child care. This occurs even if there has been no increase in the client's earnings during the 12 months. The result could be a break in the child's continuity of care if a child is moved to cheaper care or the parent quits work. Should the parent return to welfare and participate in employment or training, the family once again would be entitled to child care.

During our work in fiscal year 1995, officials in Washington and Ohio noted that some participants do not take advantage of TCC for a number of reasons. Some participants leave the welfare ranks for employment without informing their caseworker of their employment status. Without this information, the caseworker cannot authorize TCC benefits for the client. Other participants are not aware of TCC and do not know that they are eligible for continuing child care subsidies. TCC funds, when used, are available only for 1 year, and participants often find they are unable to pay for care once this subsidy ends.

Figure 1 is a hypothetical flow of low-income families through the subsidized child care system and demonstrates possible outcomes of the different rules among the child care programs. Note how many paths may lead a family back to welfare.

Figure 1: Hypothetical Client Flow Through Subsidized Child Care



Current System Provides Little Incentive to Serve the Low-Income Working Poor

The combination of program mandates and limited resources requires states to make difficult choices that frequently result in denying services to needy eligible families. Decisions over who will receive a child care subsidy depend upon the availability of funds and the funding rules. Eligible participants are matched with funding streams that fit their eligibility status. Current rules for the child care programs described produce incentives for states to serve entitled participants first and to form waiting lists for other eligible low-income families. Michigan and Ohio, however, simply do not keep waiting lists. Florida has about 19,000 people on its working poor waiting list, Washington has 3,000 on its list, and Minnesota has 7,000. Washington State officials noted that if they were to give priority to TCC participants who are reaching the end of eligibility, the incentive for nonwelfare families to stay off assistance would be reduced. State and county officials believe many mothers quit working because they cannot afford their child care and that the availability of child care plays a major role in mothers' return to welfare.

Although child care workers believe that the provision of child care is important to prevent low-income working families from going on welfare, these families are served, as funding permits, after states provide subsidies to entitled individuals. For example, Ohio officials said that the state provides seamless child care services by automatically rolling JOBS participants

from TCC benefits to At-Risk and Block Grant funding streams. Likewise, Florida gives TCC participants priority for At-Risk and Block Grant child care funds in an effort keep these mothers from cycling back onto welfare.

Some states are using Block Grant funds to meet AFDC Child Care entitlements. Although the Block Grant legislation does not prohibit assisting families on welfare, the primary goal of the Block Grant is to help working poor families afford child care. However, as states run out of money to claim federal funds, they turn to the Block Grant to meet their obligations to entitled individuals.

CHILD CARE SUPPLY POSES A MAJOR CHALLENGE FOR THE STATES

In addition to the gaps we found among the four subsidy programs and the discontinuities in care that result, we also found child care supply shortages for JOBS participants. JOBS participants currently face numerous obstacles in finding child care for (1) sick children, (2) infants, (3) special needs children,⁶ and (4) before and after school. In addition, JOBS participants have difficulty finding child care that is (1) accessible given a shortage of transportation, (2) available during nontraditional hours of work, and (3) flexible enough to meet their part-time JOBS participation hours.

Michigan officials stated that they currently have a shortage of infant and special needs-related child care in the state and a shortage of all types of child care in rural areas. A suburban county child care expert indicated the current supply of child care providers cannot handle the expected influx of 3,000 new participants under the state's recently instituted "Work First" welfare reform program. In addition, an urban county we visited has only one location that offers before- and after-school care. Busing further complicates these situations because the children may not have transportation home after care ends.

A county official in Washington State noted that many children of JOBS participants have multiple special needs, increasing provider reluctance to care for them. Minnesota officials stated that they have trouble finding providers who are qualified to care for special needs children, as well as providers who will care for children that are sick.

In addition, one of the most pressing problems cited in all states was related to transportation difficulties. Many JOBS participants do not have reliable private transportation available to get their children to the child care provider and then the client to the JOBS component. Likewise, some communities lack the necessary public transportation to get participants where they need to go.

Most states we visited indicated that finding care during shift work hours on nights and weekends is a problem for participants, many of whom find jobs in the service industry working at hotels, restaurants, hospitals, and discount department stores. This problem is very hard for communities to solve because most parents do not want their children away from home at night. Some caseworkers told us that they worry that 8- and 10-year-olds are home watching 3-year-olds.

In other instances, participants find it hard to coordinate school hours, study hours, and provider availability hours, particularly when participants only need part-time care. This problem is compounded when child care centers require participants to pay for full-time care regardless of the number of hours the child is present. And in some cases, once full-time clients become available, providers are less willing to accept part-time clients.

IMPLICATIONS FOR CHILD CARE CONSOLIDATION AND WELFARE REFORM

Our work has shown that the current child care subsidy programs produce gaps in services for low-income mothers, impede continuity of care for their children, and face child care supply shortages. To more effectively use federal funds for child care subsidies while addressing service gaps and continuity of care problems, the four existing programs could be candidates for consolidation. Our work has demonstrated that the four discrete categories of low-income mothers and children for whom the Congress created the four separate child care subsidy programs are not so discrete. One family, at different points on the road from welfare dependency to becoming a nonwelfare, working poor family, can become eligible for each of the four programs. But this can necessitate moving children from one child care provider to another as the family moves through the categorical programs. Similarly, two families whose incomes are the same can be treated differently by different child care programs, based on other categorical eligibility factors. And these categorical eligibility factors can cause gaps in child care services. These gaps can result in loss of employment, inability to search for employment, and a diversion of subsidy funds away from the nonentitled--the working poor.

Welfare reform proposals call for requiring many more welfare mothers to participate in education and work. Yet today the JOBS program is only serving a small fraction of the adult AFDC recipients, and it is exempting large numbers of potential participants. The most recent HHS data available on the 5 states we visited in fiscal year 1995 show that the states were serving 134,321 welfare participants in their JOBS programs.⁷ This number represented only 15.4 percent of their total adult AFDC caseload.

Yet in attempting to place welfare mothers in jobs today, states and local offices already face child care supply shortages in the kinds of care welfare mothers disproportionately need, that is, care for special needs children and sick children and care during part-time hours and late night shift work. They also face shortages of before- and after-school care and infant care. Reform proposals that require many additional welfare mothers to participate in school or work could exacerbate these shortages. Thus, consideration of reforms to the welfare system--particularly those that (1) increase the numbers of mothers required to participate in school, training, or work; or (2) limit mothers' time on welfare; or (3) include a public-service work requirement for those who fail to find private employment--needs to proceed with an eye toward the capacity of the child care system to absorb new demand.

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Thank you Madam Chairman. That concludes my statement today. I would be happy to answer any questions.

¹Child Care: Child Care Subsidies Increase Likelihood That Low-Income Mothers Will Work (GAO/HEHS-95-20, Dec. 30, 1994).

²These results are indicative of how the labor supply of mothers would change with a given child care subsidy rate, holding all other variables constant. They do not take into account labor demand changes; short-term lags, gaps, or bottlenecks in the supply of child care; or other changes in economic conditions.

³Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 13, 1994).

⁴The only state we visited not reporting a concern over At-Risk Child Care was Michigan, which did not plan to participate in the program until 1994.

⁵A "cliff" exists when a small increase in income results in a large decrease in spendable income due to the abrupt termination of some benefit.

⁶Children with special needs include those with physical, emotional, or mental handicaps; those born with AIDS; and those with chronic asthma.

⁷HHS Information Memorandum, JOBS-ACF-IM-94-6, "Final Estimates for JOBS Participation for FY 1993" (June 29, 1994).

PREPARED STATEMENT OF PATRICIA SIEGEL

Good morning Senator Kassebaum and members of the Committee. Thank you for the opportunity to testify on my experience helping parents access child care services. I am Patty Siegel, the Executive Director of the California Child Care Resource and Referral Network. The Network is a fifteen-year-old statewide, private non-profit organization dedicated to helping California parents, regardless of income, find the very best child care for their children.

Your consideration of the role of child care in Welfare Reform is especially critical today. The February 26, 1995 Washington Post Magazine portrait of five welfare mothers, "Benefits and Doubts" reminds all of us of child care's central role in helping welfare mothers move forward on their path to economic independence. Each of the parents interviewed, Patty Lesefske, Monica Barnes, Ana Marie Malong, Cindy Ann McDonald, and Wanda Yates depended on and used child care while they participated in job training programs or went to work. Child care is not the flashy news of the article, but any child care counselor who listens to and assists thousands of parents like these every year can tell you just how critical and basic child care is to our efforts to reform welfare. It's like I-Beams in construction, absolutely basic and needed, but often unnoticed or understood by those on the outside.

Last week, with my colleagues from NACCRRRA (National Association of Child Care Resource and Referral Agencies) gathered here in the Capitol from every state for our national symposium, I observed the House Economic and Educational Opportunities Committee mark up of HR 999-the Welfare Reform Consolidation Act of 1995. I come to you today gravely concerned by the actions taken in that committee last Wednesday and Thursday. In short, the child care guarantees presently available to AFDC parents in job training, and work were eliminated at the same time dramatically increased participation in job training and work was mandated. Simultaneously, existing child care funds available through the Child Care and Development Block Grant were reduced by close to \$ 400 million in FY 96 with further reductions totalling over 2.5 billion slated over the next five years. The impact of these cuts did not escape members of the committee and prompted former Governor Castle from Delaware to comment that he worried about child care and the fact that it was being capped more than everything else in the outyears. Governor Castle has

good reason to worry. Without new investments in child care, and maintenance of baseline health and safety provisions and some set aside for quality which helps buoy up our fragile child care system, welfare reform cannot work.

The experiences and thoughts I will share with you today represent the last twenty-five years of my working and parenting life. I would like to begin by quickly sketching my own child care beginnings, because I believe they set the stage well for the topic you have asked me to address today: the role that affordable child care plays in helping unemployed parents enter and remain in the work force.

In 1972, as a young parent of three small children all under age three, I came to understand the challenge of finding good, safe child care. Because my work as a French teacher in a private elementary school was part time, I had the good fortune to need only part time child care. After much frustration in my search, I took the initiative, utilizing my experience as a child care worker to organize my own solution—the Yellow Garage Playgroup. This small neighborhood cooperative helped me and twelve other families in San Francisco's Inner Sunset neighborhood balance our work and family responsibilities in a safe and loving environment that helped our children grow and learn. It was a lot of work, but well worth the effort.

Before the Yellow Garage was even two months old we had a waiting list with more than 20 families. Like the unemployed and working poor parents that we are considering today, these young parents could not work without safe, reliable child care. I couldn't stand to see one parent lose employment because they couldn't find child care so I organized my waiting list by neighborhood in a file box in my kitchen and while my babies napped I did my best to connect parents to each other and existing child care resources. By the end of that year, the overflowing file box on my kitchen table has grown and become one of the country's first Child Care Resource and Referral agencies, The Childcare Switchboard-Children's Council.

Twenty-three years later, I come before you to describe what I and the 60 local CCR&R agencies who make up the California Network, and our 450 R&R colleagues across the country have since learned about the role that affordable child care plays in helping unemployed and working poor parents enter and remain in the work force. Everything we know we learned from the thousands of parents who contact our offices every day looking, often desperately, for the safe, reliable care which is the turnkey to their success in our nation's competitive job market.

What do we hear? How do we respond? And what kind of difference do federal funds, and programs make in these efforts? Many of you are parents and grandparents of very young or school-age children, and I am sure you understand the formidable task of finding safe, dependable child care—even with adequate financial resources. If you're not a current child care consumer, you can get a quick window to the kinds of stories we hear in CCR&R by talking to members of your family, your staff, or the next receptionist, bank teller, waitress or hotel maid you encounter.

Across the country, local child care counselors listen and respond to the child care needs of low income working parents, like Kleopatra Blackwood from Cleveland, Ohio. She is a single parent of a four-year old girl. Kleopatra and her daughter were on welfare for a year and a half. Like many Americans she needed AFDC to provide food, medical services and housing for herself and her child. However, she had no intention of remaining on welfare. With the help of the JOBS program she was able to get training and earn a certificate in office administration. Six months later she got a job earning \$4.92 per hour, which equated to \$962 a month before taxes. She has since been promoted twice and now earns \$8.12 per hour (\$1319 monthly/ \$15,834 per year). She started off receiving child care subsidies under the JOBS program, then moved to the Transitional Child Care Program when she left AFDC. She now receives a child care subsidy from the Child Care and Development Block Grant. Her state (Ohio) was able to create a seamless system of child care including child care resource and referral services like Starting Point in Cleveland where Kleopatra received information and counseling about the child care options and assistance available to her. Ohio's system, with support from the Child Care and Development Block Grant, and AFDC child care guarantees, has allowed her child to have the safe continuity of care that is the most beneficial for her growth and development.

Without the child care assistance Kleopatra has received from federal funds she would have had to work two jobs to care for her young daughter, something she refuses to do because she knows her child needs her. Let's look at Kleopatra's monthly budget: her monthly take home pay is \$810 after taxes. Then she pays the following:

Rent	\$385.00
Utilities	75.00
Medical expenses	150.00
Transportation (to/from work/child care)	50.00
Total Monthly Expenses	\$660.00

After paying monthly expenses she has \$270 per month for food, clothing and child care. For the past year, thanks to the CCDBG, she has paid \$132 per month for child care, her

share of the full cost of \$330 per month. However, as of today, March 1, her parent fee is increasing to \$250 per month because she has received a three percent salary increase (approximately \$40 a month) which increases her parent fee by \$118, or a **nearly 50 percent increase**. The math and implications of Kleopatra's budget and child care need point out how important continuing child care support is to AFDC parents moving up and out of dependency. Under the provisions and changes marked up in the EEO committee last week, Kleopatra might never have gotten off the waiting list for child care.

Let's use Kleopatra's situation as a jump-off point for our examination of how federal child care assistance is working in California and the nation. In San Diego County alone, as of January 27, 1995, **11,663 fully eligible families** (their eligibility was determined by a child care payment specialist at the local CCR&R agency) were on the waiting list for child care assistance available from the Child Care and Development Block Grant and At-Risk Child Care Program. What are the opportunities for getting off the waiting list? Not great: San Diego County's current CCDBG and At-Risk funds provide care to a **total of 1,646 children**, making the odds of getting off the waiting list about **1 in 14!** Overall, in California there are more than 225,000 children on the waiting lists.

In Hennepin County, Minnesota, the current waiting list for child care sliding fee assistance is over 2,100 families. Counselors there estimate a wait of more than one and one-half years to access subsidies, which could be reduced, not expanded.

These odds are a stark and sobering reminder of how far we have to go if we are serious in our obligation to help every family support and care for its children. And they are further amplified when one considers that the opportunity to find child care in California is much more than most states because our **long and uninterrupted** history of state-supported child care, dating back fifty years, when we maintained state support for our Lanham Act centers at the end of WWII. That combined state and federal investment in child care is currently **\$840 million**. But, it falls far short of meeting current needs. This is why the advent of new federal funds for child care are so vital to us and every other state. Maintaining every cent of our current federal commitment to child care **both** in the CCDBG and At-Risk programs **and** in Transitional and JOBS Child Care is imperative, especially given the intensity of the current welfare reform debate.

Take for example, Joan, who called her local R&R in a total panic the day she got a coveted job as a sales clerk in a new Costco. (She had lined up at 2:00 a.m. and waited seven hours to get an application for the job.) She was on AFDC and **thrilled** when she was offered a \$7.00 an hour job, swing shift, six days a week. Thrilled until she realized that without child

care for her 18-month-old baby girl she would be unable to start work in three days. She had no money saved for child care, and when she spoke to Marie, an R&R parent counselor, Marie explained the **Transitional Child Care Program (TCC)**, available to newly employed AFDC families. Marie explained how Joan could access the TCC benefit and helped Joan connect to several family day care providers who offered care during the extended hours she would need.

There's a happy "middle" to Joan's story, but a happy ending, her long-term ability to afford safe, dependable child care, depends upon the continued availability of other federal child care funds as she slowly gains self-sufficiency. Without the continued federal guarantee of TCC funding, Joan would have joined more than 11,000 other parents on the waiting list for child care services in San Diego, and would have missed her chance at a decent job at Costco. Child Care is the turnkey to employment opportunity and success for parents like Joan all over the country.

This is why we can't separate the needs of unemployed parents and working poor parents. Without child care, their economic independence becomes a revolving door, as illustrated by:

Lisa, from Humboldt County, California.

In a letter of appreciation, she tells the following story (the real math of child care and employment):

I'm a single mom with a three-year-old who makes \$6.25 an hour at a medical office. I gross about \$1,000 to \$1,050 a month. I take home, after taxes, about \$800 a month. My rent is \$332, my child care runs about \$350 a month. If I didn't have help with child care I'd only have about \$110 to pay bills, buy groceries and gas and whatever surprises come up for the month. At \$6.25 an hour, I really couldn't afford to work and cover the cost of child care. I greatly appreciate the help paying for child care. My child care provider is very good and I know that my son is in a good place while I work. He learns and has fun with a good little group of kids.

I'd have to try and find a job that pays quite a bit more than \$6.25 an hour to be able to live. Jobs are hard to find as it is, and my skills are somewhat limited too, so my life would be a lot more stressful as a single parent than it already is. (I definitely do not want to be on welfare – that is something I would not want to do at all.)

If I had to pay for my child care by myself I wouldn't have enough money to live on and get through each month. My rent and child care costs would take more than three-quarters of my take-home pay alone. Not enough left to cover the other monthly expenses. It would be very stressful.

Thank you so much for this child care assistance program. Please keep it going.

As a single parent it makes all the difference in my being able to have a full-time job and feel good about myself in trying to take care of my child and myself on my own. I can't express how it's helped my situation and how much I appreciate this program.

Current federal child care programs work for Kleopatra, Joan and Lisa, and they could work for thousands of other parents on waiting lists: if sufficient federal funds were available to help parents pay for child care; and if in their transitions from welfare to work they don't fall off cliffs and lose what they have; and if an adequate supply of safe, affordable, accessible child care exists in the community. The IFs of child care availability, affordability, and quality are addressed in the CCDBG **quality set-aside**. This small but critical mass of dedicated funding is the glue and clips that holds our still-fragile child care system together. The five percent set-aside provided states with the catalyst to address and develop the essential functions necessary for a child care system characterized by parental choice:

Consumer Education/Child Care Resource and Referral:

This includes outreach to parents, which informs them about all their child care options and the availability of financial assistance, and counseling and referrals. These services help parents identify the child care provider or setting which best meets their personal needs. As Kleopatra, Joan and Lisa would surely tell you, CCR&R services are a vital parental link to the child care market. In my own state, and many of yours, CCR&R counselors are often co-located in county welfare offices to assist AFDC parents on the spot, as they begin to consider their training and employment options. Our experience has taught us that AFDC parents need stable child care arrangements if they are to succeed in training and transitioning to work. Helping them understand and identify a child care option that will be dependable and available during the frequently odd-hour shifts their new jobs demand is a key to their success. When they are left to hurriedly put together a makeshift arrangement, all too often it breaks down, because they did not have the information or the education necessary to make a good, informed child care choice.

Consumer Protection:

This includes accountability for basic health and safety in all child care settings – licensed or license-exempt. States have used quality set-aside funds for consumer protection. In Pennsylvania, half the child care licensing staff is paid from quality set-aside dollars. In California, we have established the **Trustline** registry for license-exempt providers (established by legislation carried by Congressman Bill Baker when he was in the State Assembly), with funds from the Child Care and Development Block Grant quality set-aside. **Trustline** is a criminal background and child abuse registry check, required for all non-relative exempt care providers. Many AFDC parents are most comfortable choosing family and friends for their

initial child care arrangement. The Trustline registry provides an important safeguard in that choice, and also the opportunity to talk to parents and their providers about basic health and safety in home-based care. The **BE SAFE AT HOME AND IN CHILD CARE** poster, which I have submitted for the record, is another example of how the quality set-aside help educate parents and providers and protect the children in their care.

Supply Building:

Welfare reform proposals which will expand the labor-force participation of AFDC parents will greatly increase the demand for all types of child care, particularly infant-toddler care, since parents with children under three, who were previously exempted, would now be required to get training or work. In my own state and each of yours the supply of infant-toddler care is in very short supply and heavy demand. Over half of all parents who call CCR&R's in California are looking for care for children under two years of age, but less than 12 percent of all licensed child care centers provide any infant-toddler care, leaving the bulk of this responsibility for meeting this demand on family day care and exempt care providers. In our experience, they are often reluctant to care for very young children, and need the encouragement, training, and support which has been available through CCR&R activities, funded by the CCDBG quality set-aside. We cannot assume that the child care market will simply grow by leaps and bounds to meet the tremendous increase in child care demand, which will emerge under welfare reform proposals. I urge you to maintain and increase quality set-aside funds in any child care block grant you develop. If you fail to acknowledge the importance of developing and improving the supply and quality of child care, you will predictably find yourselves performing fairy tale feats, like Rumpelstiltsken, who could spin straw into gold.

In Iowa, California, Oregon, and Michigan, to name a few, public support for CCR&R services has been used to successfully leverage private sector funds. The Iowa Child Net program has leveraged \$350,000 of private sector funding for child care recruitment and training with an anchor of \$200,000 of public support. The California Child Care Initiative Project, administered by the Network, has leveraged more than \$6 million in corporate and private foundation funds to expand and improve the supply and quality of child care, since 1986. These important efforts to involve the corporate community in supporting child care depend on a solid anchor of public support.

The CCDBG and At-Risk program have provided the incentives and funding to many states, including New Jersey, Texas, Oregon, Florida, and Indiana, to "reshape" their child care systems and make them more user-friendly and "seamless" to families. But, these efforts have required careful planning and state collaboration among and between state agencies,

child care resource and referral agencies, and the parental choice certificate programs they frequently administer.

Clearly, these quality activities provide direct support for families who need and want to work. They are practical, tangible efforts to make our child care system work for parents struggling to maintain their economic independence. We are concerned that current consideration of a totally blended, homogenized Child Care Block Grant would seriously jeopardize these efforts.

Our concern stems from the real pressure and burden of the still-enormous unmet need for child care. It can drive the most enlightened state leader to make the seemingly clear choice to invest every available dollar into child care subsidies. But such simplicity fails to acknowledge the stark reality of just how hard it is to find and keep good child care.

Welfare reform may come and go, but the economic dilemmas of low-skilled single parents who have the dual responsibility of caregiving and bread-winning are ever present. Child care as a work-enabling support service is the best welfare prevention of all. Senators Christopher J. Dodd and Edward M. Kennedy recognize this in their bill, S 472. In sharp contrast to Title I of H.R. 999, which was marked up last week, the Dodd-Kennedy bill recognizes that significant new investments in child care are absolutely necessary if Congress is serious about reforming welfare and helping American families work.

Thank you for your interest and attention to the child care issues and concerns I have shared with you today. I would like to invite each of you and your staff to come visit your local CCR&R agency, and share, first-hand, the dilemmas, challenges, and successes parents in your communities face every day.

[Whereupon, at 1:21 p.m., the committee was adjourned.]



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